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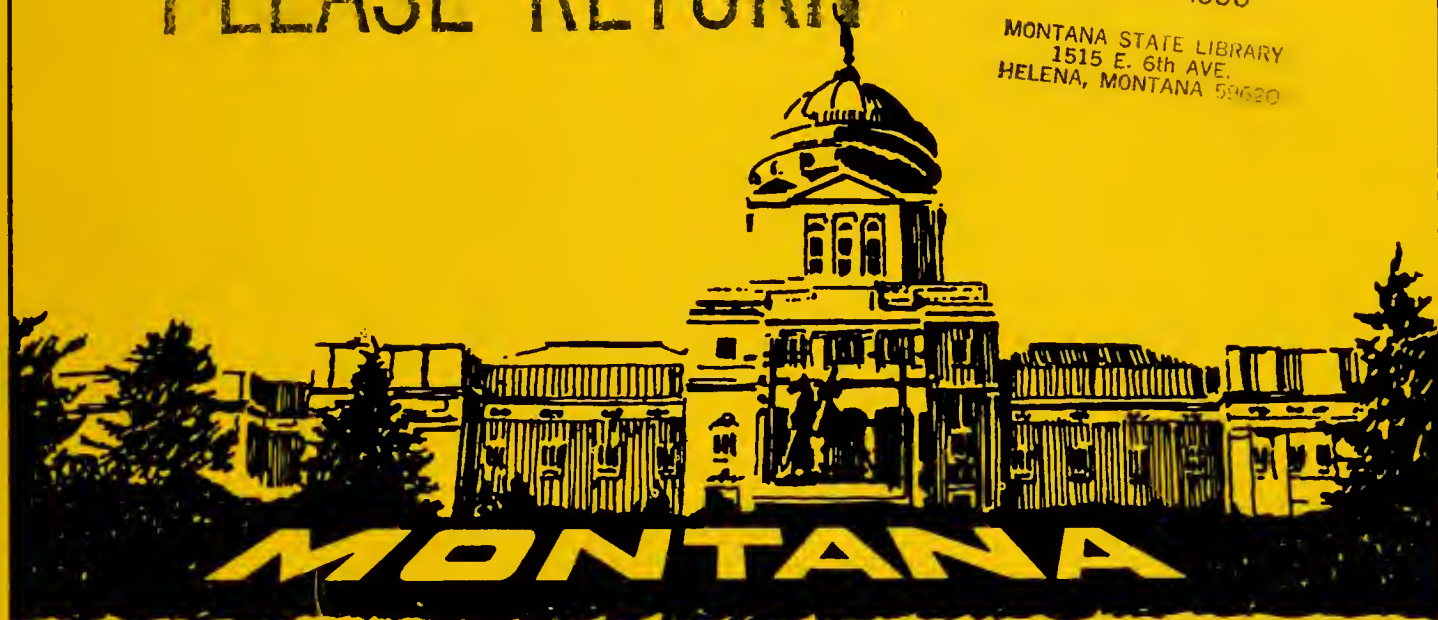
BUDGET ANALYSIS 1989 BIENNIUM VOL. I

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BUDGET ANALYSIS

1989 BIENNIUM

Presented to the Fiftieth Legislature

Volume 1

Submitted by

The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1987

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JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA
Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

January, 1987

Members of the Fiftieth Legislature
Members of the Legislative Finance Committee

In accordance with the provisions of 5-12-302, MCA, I submit for your consideration an analysis of the executive budget for the 1989 biennium. The purpose of this analysis is to assist the legislature in performing its duties which are set forth in Article VIII of the Montana Constitution to balance the budget and to insure strict accountability of all funds.

The Budget Analysis is designed to be a working document containing fiscal information relevant to appropriation decisions. We are available to assist all legislators in obtaining information related to fiscal issues.

The staff wishes to express their appreciation to the agency personnel who were very cooperative about answering questions and supplying data. The Publications and Graphics Division has, as usual, been extremely professional and efficient in printing this book. The Legislature continues to receive the analysis earlier each year and I want to thank Mr. Don Breiby and his staff for meeting the deadlines.

In compiling the Budget Analysis, each staff member put in many extra hours and deserves a very special thank-you for the sacrifices made to do a thorough analysis and complete it on time. With the staff cutbacks and the new computer system, recognition should be given to Curt Nichols, Taryn Purdy, Keith Wolcott, and Betty Norris for handling significantly more responsibility than originally planned.

Respectfully submitted,

A handwritten signature in cursive script that reads "Judy Rippingale".

Judy Rippingale
Legislative Fiscal Analyst

BUDGET ANALYSIS
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INTRODUCTION

The Budget Analysis provides extensive analyses of expenditure information and a comprehensive write-up on revenue estimates. The expenditure information for a typical agency program shows: (1) the base year, fiscal 1986, actual expenditures in comparison to the expenditures anticipated by the 1985 legislature; (2) the adjustments made to actual fiscal 1986 expenditures for one-time expenses or cost changes which do not involve new or different program policies; (3) the issues which change program policy or financing sources that have been developed or identified in the analyst's review of the fiscal 1986 expenditures and the 1989 biennium budget requests; and (4) the identification of expenditure or funding changes in the executive 1989 biennium budget which vary from the 1987 biennium program or funding policies.

The current level budget base is shown to allow legislators the opportunity to ascertain changes proposed in the executive budget. This current level is the fiscal 1986 costs adjusted for one-time expenses or cost changes which do not involve new or different program policies. These changes may be program increases or decreases, or alternate funding sources. Because these changes are identified does not imply they are good or bad, only that there are changes. The legislature, after ascertaining the facts, will make the decision on what fiscal policies will provide desired services for Montana citizens.

The legislative agency budgets are as approved by their governing committee. The budget explanations are done primarily by each legislative agency. The Office of the Legislative Fiscal Analyst did offer suggestions and did some minor editing when appropriate. All legislative agency directors hope you find the budget explanations useful and welcome your visit to clarify any part of their budgets.

*July - \$18 million
+ 10% - by end of 1987
Gov. increases taxes
+ 24 million -
also C.S.T. to bail
out ag. sec.*

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AND SENATE FINANCE AND CLAIMS COMMITTEES

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Environmental Quality Council	Legislative Fiscal Analyst
Governor's Office	Consumer Counsel
Commissioner of Political Practices	State Auditor
Judiciary Secretary of State	
Justice Administration	
Revenue Board of Crime Control	
Highways	

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Eastmont Training Center	Pine Hills School
Prison	
Board of Pardons	
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Bureau of Mines
Agricultural Experiment Station
Cooperative Extension Station
Forestry Experiment Station
University of Montana
Eastern Montana College
Western Montana College
Northern Montana College
Montana College of Mineral
Science and Technology

Montana State University
Fire Services Training School
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Office of Public Instruction
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Transportation
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New Construction
Culture and Aesthetics
Park Acquisition
Land Acquisition

Resource Indemnity Trust
Renewable Resource
Development
Water Development
Alternative Energy

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Senator Aklestad
Senator Rasmussen
Senator Walker

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University of Montana
Eastern Montana College
Western Montana College
Northern Montana College
Montana College of Mineral
Science and Technology
Montana State University
Fire Services Training School
Advisory Council for Vo-Ed
Post Secondary Vo-Tech Centers

Jane Hamman

Board of Regents
Commissioner of Higher Education
Community Colleges
Agricultural Experiment Station
Cooperative Extension Station
Forestry Experiment Station
Bureau of Mines

Taryn Purdy

Board of Public Education
Office of Public Instruction
Operations
Special Education
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Water Development
Alternative Energy

REVENUE AND TAXES

Curt Nichols

Judy Curtis Waldron

Madalyn Quinlan

SUMMARY OF BUDGET ISSUES

TAX INCREASES - \$23.9 MILLION

The executive budget includes \$23.9 million of revenue from three taxes now scheduled to expire in fiscal 1987 and a new accommodations tax. First, the portion of the vehicle license fee deposited in the general fund for support of district courts is due to terminate July 1, 1987. The executive proposes to continue the fee which would raise \$2.9 million each year of the biennium. Second, the block grant portion of vehicle license fees sunsets July 1, 1987. In the executive budget, this fee continues and is forecast to raise \$2.4 million in fiscal 1988 and \$2.5 million in fiscal 1989. Third, the legislature in Special Session III authorized a fee on gross operating revenues of companies regulated by the Public Service Commission which would be deposited in a special revenue account and used to fund commission operations. Under current law, the fee expires July 1, 1987. The executive budget proposes extension of this fee into the 1989 biennium. Based on the executive budget, continuation of earmarked funding for the commission would save \$1.6 million general fund each year of the biennium.

The executive budget also proposes a new 4 percent accommodations tax which would help support the Montana Promotion Bureau in the Department of Commerce and local non-profit tourism corporations. According to the executive, the tax would raise \$5 million in revenue annually.

EXECUTIVE BUDGET FISCAL IMBALANCE

Fiscal imbalance occurs when on-going revenue is less than on-going expenditures. In fiscal 1989 the general fund revenue from sources that will continue to be deposited to the general fund in future years is less than expenditures by \$14.2 million. In future years, if revenues do not grow faster than expenditures, this annual deficit would rise.

In the period from fiscal 1987 to 1989, the executive budget proposes that expenditures would rise approximately 4.5 percent and ongoing revenues 11.1 percent. In addition \$90.1 million of coal severance tax and coal trust earnings which would be deposited in other accounts under current law are temporarily allocated to the general fund. The executive also proposes reallocation of coal taxes to the school foundation program which result in a net revenue gain of \$18.5 million in the 1989 biennium. Because the coal tax reallocations are not permanent and are required to achieve a positive general fund balance at the end of the 1989 biennium, the executive budget is characterized by fiscal imbalance.

Table 1 shows the magnitude of the imbalance for fiscal years 1987 through 1989.

Table 1
A Comparison of On-going Revenue and Expenditures
Fiscal Years 1987 through 1989
(Thousands)

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
On-going General Fund Revenue	\$346,966	\$356,685	\$385,390
General Fund Expenditures	<u>-382,278</u>	<u>-401,970</u>	<u>-399,622</u>
Revenue Minus Expenditures	\$(35,312)	\$(45,285)	\$(14,232)
Reallocation of Coal to Schools	<u>- 0</u>	<u>- 10,107</u>	<u>- 8,408</u>
Total Imbalance	<u>\$(35,312)</u>	<u>\$(55,392)</u>	<u>\$(22,640)</u>

On-going general fund revenue in Table 1 includes the revenue gain afforded by federal tax reform. Without that gain, the fiscal 1989 imbalance would be \$68.7 million as shown in Table 2.

Table 2
A Comparison of Ongoing Revenue and Expenditure Without
the "Windfall" State Tax Increase
Fiscal Years 1987 through 1989
(Thousands)

	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Total Imbalance - Table 1	\$(35,312)	\$(55,392)	\$(22,640)
State Increase - Fed. Tax Reform	<u>(5,470)</u>	<u>(27,300)</u>	<u>(46,040)</u>
Imbalance Before Added Taxes	<u>\$(40,782)</u>	<u>\$(82,692)</u>	<u>\$(68,680)</u>

Under the executive budget the 1989 legislature will face a fiscal imbalance as it budgets for the 1991 biennium. The executive recommended measures taken to restrain expenditures during the 1989 biennium, i.e., pay and expenditure freezes, may be less viable options for continuance into the 1991 biennium.

FEDERAL TAX REFORM

According to Department of Revenue forecasts, federal tax reform will generate \$78.8 million of state revenue in fiscal years 1987 through 1989. The federal tax changes affect Montana revenue in two ways. First, tax reform broadens the definition of income which is taxable in Montana, increasing revenue. Second, itemizers on individual income tax returns will generally have lower federal tax deductions, again earning more income to be taxed at the state level.

The \$55.0 million of general fund revenue growth attributable to federal tax reform in the 1989 biennium accounts for most of the increase in revenue. Although

growth in revenue from tax reform is expected to occur in the 1991 biennium, growth will not continue at the pace of the previous two years. Consequently, strong growth in tax reform revenues should not be counted on by the 1989 legislature to balance the budget for the 1991 biennium.

CHANGES IN COAL TAX ALLOCATIONS

The executive proposal to alter the allocation of the coal severance tax would provide more revenues to the general fund and public school equalization account, while reducing the allocations to the education trust, the local impact account, and the constitutional trust fund. The executive proposal has two main points.

- 1) To shift the coal tax from the permanent trust to the general fund, while maintaining the deposit to the in-state investment fund.
- 2) To divert coal taxes from the education trust and local impact account to the public school foundation program.

Under current law, 57.6 percent of the coal taxes collected in the 1989 biennium are allocated to non-expendable trust funds and 42.4 percent to current program expenditures. The executive proposal would allocate 12.5 percent to non-expendable trust funds and 87.5 percent to current program expenditures. Table 1 shows the allocation of the coal severance tax under current law and the executive proposal in fiscal years 1988 and 1989. The revenue estimates shown in the table are LFA estimates.

Table 3
Coal Severance Tax Allocations
Current Law and Governor's Proposal
Fiscal Years 1988 and 1989

Category	Fiscal 1988				Fiscal 1989			
	Current Law		Governor's Prop.		Current Law		Governor's Prop.	
	% Alloc	Projected	% Alloc	Projected	% Alloc	Projected	% Alloc	Projected
Const. Trust	50.000	\$32,298,489	12.5000	\$ 8,074,622	50.000	\$33,890,883	12.5000	\$ 8,472,721
General Fund	16.340	10,555,146	53.840	34,779,013	16.340	11,075,541	53.840	36,493,703
Education Trust	7.600	4,909,370	0.000	-0-	7.600	5,151,414	0.000	-0-
Local Impact	6.650	4,295,699	1.250	807,462	6.650	4,507,487	1.250	847,272
Public Sch. Equal.	3.800	2,454,685	16.800	10,852,292	3.800	2,575,707	16.800	11,387,337
Alternative Energy	1.710	1,104,608	1.710	1,104,608	1.710	1,159,068	1.710	1,159,068
Renewable Resources	0.475	306,836	0.475	306,836	0.475	321,963	0.475	321,963
Water Development	0.475	306,836	0.475	306,836	0.475	321,963	0.475	321,963
County Land Planning	0.380	245,469	0.380	245,469	0.380	257,571	0.380	257,571
Library Commission	0.380	245,469	0.380	245,469	0.380	257,571	0.380	257,571
Conservation Dist.	0.190	122,734	0.190	122,734	0.190	128,785	0.190	128,785
Hwy Recon. Trust	12.000	7,751,637	12.000	7,751,637	12.000	8,133,812	12.000	8,133,812
Total Tax	100.00	\$64,596,978	100.00	\$64,596,978	100.00	\$67,781,766	100.00	\$67,781,766

EXECUTIVE EXPENDITURE LIMITATION

According to executive calculations, the limit on appropriations set by Sections 17-8-105 and 106, MCA, allows appropriations totaling \$2,039.4 million from the general fund, the special revenue fund, and cash capital projects. The executive budget recommends appropriations of \$1,675.5 million for these funds and complies with the statutory limitation. Our brief examination of the executive's calculations has identified four errors:

1. The executive's 1987 biennium base appropriations omitted \$12.3 million of general fund appropriations recommended in its budget. Omitted appropriations include \$4.4 million for the 1987 session feed bill, \$12.8 million for supplementals, and a negative \$4.9 million attributable to the 2 percent cuts ordered by the Governor in November 1986.
2. Debt service payments should be excluded from the base to conform to the statute. During the 1987 biennium, the Department of Highways will make \$31.3 million of debt payments. For the 1989 biennium, highway debt service payments will total \$33.1 million.
3. The executive underestimated its 1989 biennium recommended general fund appropriation by \$13 million by including estimated reversions in the calculation. The executive's total equals expenditures, not appropriations.
4. Transfers from the highways state special revenue account to the reconstruction trust account should be excluded from the base to conform to the statute.

The net effect of these four errors is to reduce the expenditure limit balance by \$110 million.

LOCAL GOVERNMENT BLOCK GRANT

The local government block grant (LGBG) in the executive budget receives no general fund support in fiscal 1987, 1988, or 1989. During Special Session III the legislature appropriated \$6,500,000 for the LGBG which restored a portion of the revenue the program lost with the decline in the oil severance tax. The executive budget does not reflect that obligation in 1987 appropriations or calculation of general fund balance. For the 1989 biennium a fully funded LGBG would cost the state \$36.33 million. The executive budget recommends \$18.25 million which funds the program at 56.5 percent.

USE OF RESOURCE INDEMNITY TRUST INTEREST

The executive budget proposes to replace \$2.9 million of general fund operating expenses with resource indemnity trust interest (RIT interest). Section 15-38-203, MCA, states, "It is the intent of the legislature that future appropriations of the resource indemnity trust interest account not be made to fund general operating expenses of state agencies." The executive budget proposes that the following general fund amounts be replaced with RIT interest funds: \$1,211,995 in the Department of State Lands, Reclamation Division; \$699,371 in the Department of Natural Resources, Conservation Districts Division; and \$1,026,539 in the Department of Natural Resources, Water Resources Division. Also the executive budget is

recommending three budget modifications totalling \$652,280 to be funded with RIT interest.

UNIVERSITY FORMULA FUNDING LEVELS

The executive budget states that the university formula funding level is 95 percent for the Instruction Program and 94 percent of the Support Program. In reality, the executive budget funds the Instruction Program at less than 92 percent and the Support Program at approximately 85 percent.

This difference between what the narrative states and what the numbers reflect is due to not recognizing fiscal 1987 salary levels, taking 4 percent vacancy savings in the Support Program, and erring in even saying 94 percent was applied to the Support Program as 90 percent was applied.

SOCIAL AND REHABILITATION SERVICES

The executive budget includes \$37.8 million more than the current level analysis for the 1989 biennium. Principal causes for this difference are \$16.6 million of medicaid costs included in the executive budget as a result of slightly higher projected caseloads and inflation increases; \$6.6 million included in the executive request for equipment and improvements in computerization of the department's data collection; \$5.1 million more in the executive budget for General Assistance, State Medical, and AFDC benefits; \$3.0 million additional for the Low Income Energy Assistance Program; \$3.0 million in expanded services for vocational rehabilitation; and \$1.5 million for development of new services for the developmentally disabled. The balance of the difference is in personnel services and operating costs.

DEPARTMENT OF FAMILY AND YOUTH SERVICES

Included in the executive budget is a reorganization of the state's service delivery system for youth and adult service that results in the creation of a new state Department of Family and Youth Services. Included in the new department are: 1) all youth probation services currently under the youth district courts; 2) the Community Services Division of SRS which administers child protective services, foster care, domestic abuse, developmental disabilities case management, and aging services; and 3) the youth correctional facilities of Pine Hills and Mountain View School. According to the executive request, costs associated with creation of the new department will not exceed the costs of current operations.

GENERAL FUND SUMMARY AND COMPARISON

The Office of the Legislative Fiscal Analyst forecasts the general fund will end fiscal 1987 with a negative balance of \$17.9 million, down \$33.9 million from the beginning fund balance. In contrast, the executive budget anticipates a fiscal 1987 ending fund balance of \$27.0 million which is \$44.9 million higher than the LFA forecast. Table 1 compares the two forecasts.

Table 1
Fiscal 1987 General Fund Balance
(Millions)

	<u>LFA</u>	<u>Executive</u>	<u>Difference</u>
Beginning Fund Balance	\$ 16.00	\$ 16.00	\$ -0-
Fiscal 1987 Revenue	347.56	384.49	(36.93)
Prior Year Adjustments	2.15	2.15	-0-
Residual Equity Transfers	<u>6.61</u>	<u>6.61</u>	<u>-0-</u>
 Total Funds Available	 \$ 372.32	 \$ 409.25	 \$(36.93)
Expenditures:			
Foundation Program	\$ 27.91	\$ 27.91	\$ -0-
1987 Session Feed Bill	4.33	4.40	(.07)
Continuing Appropriations	4.32	4.32	-0-
Supplemental Appropriations:			
Schools	1.79	-0-	1.79
Other	12.78	12.78	-0-
Disaster and Emergency	.80	.38	.42
TRANS Issue and Interest Costs	4.26	4.26	-0-
Long-term Debt Service	12.42	10.81	1.61
2 Percent Executive Order Cuts	(4.87)	(4.87)	-0-
Additional Workers Comp Costs	.35	.35	-0-
HB14 - Local Gov't. Block Grant	6.50	-0-	6.50
Other Appropriations:	326.42	326.42	-0-
Reversions:			
Debt Service	(1.77)	-0-	(1.77)
School Foundation	-0-	(.48)	.48
Other	<u>(5.00)</u>	<u>(4.00)</u>	<u>(1.00)</u>
 Total Expenditures	 \$390.24	 \$382.28	 \$ 7.96
 Ending Fund Balance	 <u><u>\$ (17.92)</u></u>	 <u><u>\$ 26.97</u></u>	 <u><u>\$ (44.89)</u></u>

Three major differences contribute to the higher fund balance forecast by the executive. First, the executive budget contains \$36.9 million more in general fund revenue than the LFA. A detailed comparison of the two forecasts is given later in our budget analysis. Suffice it to say, the executive proposes increasing the general fund allocation of the coal severance tax and coal trust earnings which it expects to add \$34.1 million to general fund revenue in fiscal 1987.

The second major difference is in funding for the local government block grant. During Special Session III, the legislature appropriated \$6.5 million of general fund for support of the block grant program which reimburses local governments for revenue lost under the vehicle fee system. After publication of its budget, the executive acknowledged the inadvertent omission of the \$6.5 million appropriation from its budget.

Third, the executive anticipates a \$480,000 reversion from the school foundation program, while the LFA forecasts a supplemental of \$1.79 million. The LFA estimate is based on lower projections of individual income tax collections and common school interest and income revenues.

Although Table 1 shows a \$1.61 million difference in the appropriation for long-term debt service, the actual difference is much smaller. The LFA shows \$12.42 million appropriated with \$1.77 million reverting for a net cost of \$10.65 million. In contrast, the executive shows only the net cost which it estimates at \$10.81 million for a difference of \$160,000 from the LFA forecast.

For the 1989 biennium, the LFA forecasts the general fund will have an ending fund balance of a negative \$101.5 million, compared with the executive forecast of \$23.4 million. Table 2 shows the LFA and executive forecasts and differences between the two.

Table 2
1989 Biennium General Fund Balance
(Millions)

	<u>LFA</u>	<u>Executive</u>	<u>Difference</u>
Beginning Fund Balance	(17.92)	\$ 26.97	\$(44.89)
1989 Biennium Revenue	\$747.05	798.05	(51.00)
Prior Year Adjustments	<u>.33</u>	<u>-0-</u>	<u>.33</u>
Total Funds Available	729.46	\$ 825.02	\$ (95.56)
Expenditures:			
Foundation Program	\$ 95.16	\$ 77.10	\$ 18.06
1989 Session Feed Bill	4.33	4.40	(.07)
TRANS Issue and Interest Costs	5.02	5.78	(.76)
Long-term Debt Service	24.96	22.12	2.84
Additional Workers Comp Costs	2.06	2.06	-0-
PERS Cost Savings	-0-	(2.31)	2.31
Other Appropriations	712.37	705.44	6.93
Reversions:			
Debt Service	(2.94)	-0-	(2.94)
Other	<u>(10.00)</u>	<u>(13.00)</u>	<u>3.00</u>
Total Expenditures	\$ 830.96	\$801.59	\$ 29.37
Ending Fund Balance	<u><u>\$(101.50)</u></u>	<u><u>\$ 23.43</u></u>	<u><u>\$(124.93)</u></u>

As the first column of Table 2 shows, the LFA expects the general fund will begin the 1989 biennium with negative balance of \$17.9 million and end with a deficit of \$101.5 million. Besides the higher beginning balance, three major differences contribute to the higher fund balance forecast by the executive. First, the executive's revenue forecast is \$51.0 million higher due primarily to its proposal to shift coal tax to the general fund.

Second, projected LFA general fund expenditures for the school foundation program are \$18.1 million higher. The executive proposes \$19.0 million of additional foundation program revenue, mostly from the coal tax, which accounts for its smaller general fund appropriation.

Third, for the 1989 biennium, the LFA current level for all agency budgets totals \$712.4 million, compared with the executive budget of \$705.4 million. The higher LFA budget is due to our inclusion of full funding for the local government block grant which required \$18 million more general fund than the executive proposal. LFA-to-executive comparisons by agency are found in later sections of this budget analysis.

To balance the budget, the 1987 legislative must reduce general fund spending, increase revenue, shift revenue from other funds, or some combination of the three.

Revenue - ?
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GENERAL FUND REVENUE FORECASTS

General fund revenue in the 1989 biennium is forecast to total \$747.0 million, an increase of 6.4 percent over the \$702.0 million anticipated for the 1987 biennium. Table 1 compares actual fiscal 1986 revenue with forecasts for fiscal years 1987 through 1989.

Table 1
General Fund Revenue
Fiscal Years 1986 through 1989
(Thousands)

Category	Actual	Projected				Percent Change		
	FY 86	FY 87	FY 88	FY 89	'86-'87	'87-'88	'88-'89	
Individual Income Tax	\$110,218	\$119,560	\$127,721	\$148,509	8.5	6.8	16.3	
Corporation License Tax	33,885	28,815	31,587	37,428	(15.0)	9.6	18.5	
Coal Severance Tax	20,002	17,515	10,555	11,076	(12.4)	(39.7)	4.9	
Oil Severance Tax	23,153	10,456	12,701	12,052	(54.8)	21.5	(5.1)	
Interest on Investments	13,302	15,042	14,190	16,119	13.1	(5.7)	13.6	
Bond Transfer	35,488	34,761	36,190	40,344	(2.0)	4.1	11.5	
Coal Trust Fund Interest	38,527	32,335	32,984	36,683	(16.1)	2.0	11.2	
Insurance Premiums Tax	16,780	18,555	19,837	21,727	10.6	6.9	9.5	
Institutional Reimbursement	14,193	15,305	16,270	16,948	7.8	6.3	4.2	
Liquor Profits	4,500	4,802	6,112	6,755	6.7	27.3	10.5	
Liquor Excise Tax	5,837	5,883	6,074	6,221	0.8	3.2	2.4	
Inheritance Tax	7,179	8,804	7,704	8,051	22.6	(12.5)	4.5	
Metal Mines Tax	990	1,171	2,231	2,783	18.3	90.5	24.7	
Electrical Energy Tax	2,530	2,654	2,599	2,549	4.9	(2.1)	(1.9)	
Drivers' License Fees	796	813	800	800	2.1	(1.6)	0.0	
Telephone License Tax	3,244	3,340	3,352	3,406	3.0	0.4	1.6	
Beer License Tax	1,288	1,254	1,229	1,229	(2.6)	(2.0)	0.0	
Natural Gas Severance Tax	2,891	2,082	1,847	2,215	(28.0)	(11.3)	19.9	
Freight Line Tax	1,195	1,458	1,524	1,593	22.0	4.5	4.5	
Wine Tax	946	1,028	1,070	1,070	8.7	4.1	0.0	
Other Revenue	17,497	21,931	16,037	16,880	25.3	(26.9)	5.3	
Total	\$354,441 =====	\$347,564 =====	\$352,614 =====	\$394,438 =====	(1.9) =====	1.5 =====	11.9 =====	

Federal tax reform causes the revenue gain between the 1987 and 1989 biennia. Without the \$59.1 million gain from tax reform, general fund revenue for the 1989 biennium would have been only \$692.0 million or \$5.9 million less than the forecast for the 1987 biennium. While individual income tax revenue without tax reform grows \$9.3 million, general fund revenue from coal and oil severance taxes decline, offsetting the gain in other sources. General fund coal tax revenue falls from \$37.5 million in the 1987 biennium to \$21.6 million in the 1989 biennium, a drop of \$15.9 million. In the next biennium, both coal price and production are expected to decline causing a \$27.7 million drop in total coal tax collections. In addition, the allocation of coal tax to the general fund decreases from 23.75 percent in fiscal 1986 and 23.10 percent in fiscal 1987 to 16.34 percent in the 1989 biennium. Revenue from the oil severance tax also declines from \$33.6 million in the 1987 biennium to \$24.8 million in the 1989 biennium, a reduction of \$8.8 million. Besides the continuing production

decline, the average price of Montana crude oil is forecast to decrease from the \$23.88 of fiscal 1986 to \$15 in each fiscal 1988 and 1989. The \$15 price for the next two years reflects an increase over the \$12 price range which prevailed in Montana during December 1986.

General fund revenue projections for the 1989 biennium are based on continuation of current law and assume modest economic recovery in the future. The negative growth in inflation-adjusted income of 1985 and 1986 is assumed to be replaced by real growth which averages less than 1 percent annually in the near term. If agricultural income drops as it did in 1985 or employment losses occur in the non-farm sectors, actual general fund revenue can be expected to be lower than now forecast. On the other hand, more substantial growth in the future would be expected to lead to higher revenue.

The following sections discuss the basis of the forecasts for each source of general fund revenue.

INDIVIDUAL INCOME TAX

Individuals earning income in Montana are subject to a tax on their gross incomes after allowance for exemptions and deductions. Sixty-four percent of individual income tax receipts are deposited in the general fund. Table 2 shows general fund revenue from the individual income tax since fiscal 1982 and forecasts for fiscal years 1987 through 1989.

Table 2
Historic and Projected General Fund Collections of Individual Income Taxes
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$ 92,034,568	(1.5)
1983	97,152,215	5.6
1984	109,021,660	12.2
1985	115,876,580	6.3
1986	110,218,323	(4.9)
- - - - - Projected - - - - -		
1987	119,560,000	8.5
1988	127,721,000	6.8
1989	148,509,000	16.3

The indexing of tax liabilities began with calendar year 1981. This change along with the near doubling of tax credits from \$6.0 million to \$10.8 million probably accounts for the drop in revenue in fiscal 1982. In 1985, the growth in Montana personal income failed to keep pace with inflation which helps to explain the decline in tax collections.

Between September 1985 and September 1986, Montana employment fell from 384,000 to 375,100, a loss of 8,900 or 2.3 percent. Declines have occurred in both agricultural and non-agricultural employment. In the non-agricultural sector, the

losses were largest in trade (4,100 jobs), state and local government (1,400 jobs) and manufacturing and construction (each with 1,300 jobs). While wages have increased on the average for those working, overall labor income gains this year fall short of keeping pace with inflation. Our income tax forecasts are based on the assumption of 1.6 percent growth in non-farm labor income in 1986, 3.6 percent growth in 1987, 5.9 percent growth in 1988, and 7.1 percent in 1989. The consumer price index is forecast to increase 2.0 percent in 1986, 3.6 percent in 1987, 4.9 percent in 1988, and 6.0 percent in 1989.

Revenue is inflated by the conversion to weekly withholding payments by large employers beginning in 1987 and by the gain from federal tax reform. By broadening the base of income which is taxed and reducing itemized deductions for federal income taxes, federal tax reform increase state income tax revenue. Our tax forecasts rely on the Department of Revenue's estimates that individual income tax revenue will increase \$4.4 million in fiscal 1987, \$22.6 million in fiscal 1988, and \$39.8 million in fiscal 1989. Sixty-four percent of the revenue will be deposited in the individual income tax category. At this time, we believe these totals may be conservative and may warrant modification as additional information becomes available.

CORPORATION LICENSE TAX

Each corporation doing business in Montana is assessed a corporation license tax equal to 6.75 percent of its net income. Corporations are subject to a minimum tax of \$50. When a company's fiscal year corresponds with the calendar year as it does for most corporations, the tax is due May 15 on net income earned during the preceding calendar year. Those corporations which operate in other states and are classified as unitary (i.e., business within Montana is dependent upon and contributory to business outside the state) must apportion income to Montana for tax purposes using a formula which considers the proportions of worldwide sales, payroll, and property in Montana.

Table 3 shows total and general fund collections of the corporation license tax since fiscal 1982 and forecasts for fiscal year 1987 through 1989.

Table 3
Historic and Projected Corporation License Tax Revenue
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Total Revenue</u>	<u>General Fund Revenue</u>	<u>Percent Change in General Fund Revenue</u>
1982	\$44,630,472	\$26,234,444	(15.3)
1983	35,824,951	20,733,658	(21.0)
1984	35,396,239	20,547,177	(0.9)
1985	62,670,886	36,657,611	78.4
1986	58,584,784	33,884,815	(7.6)
----- Projected -----			
1987	49,312,000	28,815,000	(14.9)
1988	53,709,000	31,587,000	9.6
1989	63,580,000	37,428,000	18.5

Distribution of corporation license tax collections depends on the source of the revenue. Revenue collected from banks and savings and loan associations is distributed 80 percent to the taxing jurisdictions in which the financial institution is located and 20 percent to the state. Combining this 20 percent with all revenue from corporations other than financial institutions, 64 percent of the total is deposited in the general fund, 25 percent in the school equalization aid account, and 11 percent in the long range building debt service account.

Montana corporation license tax receipts were forecast using the historic relationship between Montana tax collections and U.S. corporate profits before taxes. U.S. profits are expected to increase 5 percent in 1986 and an average of 18 percent in 1987 and 1988. Added to current tax collections are audit revenues assumed to total \$5.7 million in fiscal 1987 and \$5 million in each fiscal 1988 and 1989.

The revenue gain from federal tax reform is assumed to equal the totals derived by the Department of Revenue. Tax reform is forecast to add \$1.07 million to revenue in fiscal 1987, \$4.72 million in fiscal 1988, and \$6.21 million in fiscal 1989. Sixty-four percent of these amounts were added to the corporation tax category. At this time, we believe the department's totals may be conservative and may warrant modification as additional information becomes available.

COAL SEVERANCE TAX

Coal companies whose annual production is 50,000 tons or greater must pay coal severance taxes on annual production in excess of 20,000 tons. For coal with a per pound heating value of 7,000 BTU's or greater, the severance tax rate is 30 percent of the contract sales price. For coal with a lower heating value, the severance tax rate is 20 percent. Over 99 percent of Montana's coal production is taxed at the 30 percent rate.

Table 4 shows historic and projected coal tax deposits to the general fund.

Table 4
Historic and Projected Coal Tax Deposits to the General Fund
Fiscal Years 1982 - 1989

<u>Fiscal Year</u>	<u>Revenues</u>	<u>Percent Change</u>
1982	\$16,375,541	22.4
1983	15,208,581	(7.1)
1984	15,736,468	3.5
1985	17,432,312	10.8
1986	20,001,588	14.7
----- Projected -----		
1987	17,515,000	(12.4)
1988	10,555,000	(39.7)
1989	11,076,000	4.9

The general fund received 23.75 percent of coal tax collections in fiscal 1986 and will receive 23.1 percent in fiscal 1987. In fiscal years 1988 and 1989, the general fund is scheduled to receive 16.34 percent of coal tax collections.

Table 5 shows historic and projected coal production, price, and severance collections for fiscal years 1982 through 1989.

Table 5
Historic and Projected Coal Production, Price and Tax Revenue
Fiscal Years 1984 through 1989

<u>Fiscal Year</u>	<u>Taxable Production (tons)</u>	<u>Contract Sales Price</u>	<u>Net* Severance Taxes</u>
1984	27,394,512	\$10.10	\$82,823,411
1985	31,002,175	9.88	91,748,856
1986	31,114,028	9.07	84,217,213
----- Projected -----			
1987	30,226,516	8.51	75,820,874
1988	27,958,610	7.88	64,596,978
1989	27,977,600	8.15	67,781,766

*Coal severance taxes paid on the production of Crow coal have been held in escrow since December 1982. These taxes are not included in net severance tax collections.

Fiscal 1987 coal tax estimates are based on a 2.85 percent decline in taxable production and a 6.2 percent decline in price. Competition from Powder River Basin coal in Wyoming, Canadian hydropower, and increased use of oil-fired plants has reduced the demand for Montana coal and forced some Montana producers to accept price reductions.

Production is expected to decline further in fiscal 1988 because production orders under existing contracts have fallen. Decker Coal Company, presently Montana's largest and highest priced producer, is projecting a 2.3 million ton reduction from calendar 1986 to 1987. Other Montana producers are projected to show increases or decreases of less than 500,000 tons. Production in fiscal 1989 is projected to remain very close to the fiscal 1988 forecasted level.

Three factors will be affecting Montana's average contract sales price in the 1989 biennium. With the decline in Decker's production, statewide production will shift toward the lower-priced producers, and Montana's average contract sales price will fall. A second aspect of the price decline is price reductions made on existing contracts. Coal companies have agreed to re-open contracts and lower prices in order to maintain production. The third aspect of the price decline is the royalty reduction formula passed by the 1983 legislature. The royalty reduction formula allows producers to deduct a portion of federal, state and tribal royalties in the calculation of the contract sales price. As of July 1, 1987, producers will be able to deduct all but 15 cents per ton of federal, state, and tribal royalties. Thereafter, changes in federal, state, and tribal royalties will be important in determining the market price of coal, but not the taxable contract sales price.

The coal tax incentive credit, which was passed by the 1985 legislature, will have its most significant impact on coal tax collections in fiscal years 1987 and 1988 when coal companies can qualify for the tax credit without signing new contracts. The tax credit is taken in the four quarters following the calendar year in which the coal is produced. Therefore, the tax credit taken in 1986 is on calendar 1985 incremental production. Likewise, the tax credit taken in 1987 will be on calendar 1986 incremental production. After December 31, 1986, incremental production will qualify for the tax credit only if it results from new or extended coal contracts signed between January 1, 1986 and June 30, 1987. In fiscal years 1987 and 1988, the annual incentive tax credit is projected to exceed \$1.2 million. In fiscal 1989, the only coal production which is expected to qualify for the incentive tax credit is Westmoreland Coal's production for Western Fuels Association and Spring Creek Coal's production for American Crystal.

Table 6 shows the distribution of the coal severance tax in fiscal years 1986 through 1989.

Table 6
Coal Severance Tax Allocations
Fiscal Years 1988 and 1989

Category	Fiscal 1988		Fiscal 1989	
	Percent Allocation	Projected	Percent Allocation	Projected
Constitutional Trust	50.000	\$32,298,489	50.000	\$33,890,883
General Fund	16.340	10,555,146	16.340	11,075,542
Education Trust	7.6000	4,909,370	7.600	5,151,414
Local Impact	6.650	4,295,699	6.650	4,507,487
Public School Equalization	3.800	2,454,685	3.800	2,575,707
Alternative Energy	1.710	1,104,608	1.710	1,159,068
Renewable Resources	0.475	306,836	0.475	321,963
Water Development	0.475	306,836	0.475	321,963
County Land Planning	0.380	245,469	0.380	257,571
Library Commission	0.380	245,469	0.380	257,571
Conservation Districts	0.190	122,734	0.190	128,785
Highway Reconstruction Trust	12.000	7,751,637	12.000	8,133,812
Total	100.000 =====	\$64,596,978 =====	100.000 =====	\$67,781,766 =====

Approximately two-thirds of Westmoreland's Montana coal is produced on Crow tribal land. The Crow tribe has protested the application of the Montana coal severance tax to this production. In December 1982, the federal court ordered that the protested taxes be placed in escrow until the case is resolved. In September 1985, the federal district court in Billings ruled in favor of the state's right to tax coal produced on tribal land not part of the reservation. The ruling has since been appealed to the 9th Circuit Court of Appeals in San Francisco.

Table 7 shows the actual and projected balances in the escrow account at the end of fiscal years 1986 through 1989 if the suit is not settled before the end of fiscal 1989. The estimates assume that the funds will continue to be invested in 30-day certificates of deposit. If the case is decided in favor of the state, the funds would most likely be distributed according to the allocations that were in effect in each of fiscal years 1983 and beyond.

Table 7
Escrowed Coal Severance Taxes
Fiscal Years 1986 - 1989

Fiscal Year	Coal Tax Deposit	Interest Generated	Ending Fund Balance
1986	\$4,072,603	\$1,141,661	\$22,131,638
1987	1,974,593	1,331,676	25,437,907
1988	2,014,838	1,712,505	29,165,250
1989	1,792,350	2,102,727	33,060,327

OIL SEVERANCE TAX

The oil severance tax is assessed at 5 percent of the gross value of all crude oil produced excluding that used in production operations. Beginning in fiscal 1984, one-third of total oil severance tax receipts are earmarked for the local government block grant program. Counties with an increase in production during a fiscal year receive the tax collected on that increase. Table 8 shows general fund revenue from the oil severance tax since fiscal 1982 and forecasts for fiscal years 1987 through 1989.

Table 8
Historic and Projected General Fund Revenue from the Oil Severance Tax
Fiscal Years 1982 through 1986

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1982	\$45,473,425	143.8
1983	43,787,960	(3.7)
1984	32,686,015	(25.4)
1985	32,526,656	(0.5)
1986	23,152,504	(28.8)
----- Projected -----		
1987	10,456,000	(54.8)
1988	12,701,000	21.5
1989	12,052,000	(5.1)

Approximately three-fourths of the revenue increase occurring in fiscal 1982 was due to the higher tax rate imposed that year. In fiscal 1984, the decline in tax revenue was attributable to declines in taxable production and price and to earmarking one-third of tax collections for local governments. The fiscal 1986 decline was caused by declining production, price, and tax rate.

Table 9 shows taxable production and average price since fiscal 1982.

Table 9
Taxable Oil Production and Average Price
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Taxable Production (barrels)</u>	<u>Percent Change</u>	<u>Average Price</u>
1982	30,362,796	6.8	\$33.83
1983	29,551,328	(2.7)	30.53
1984	28,517,073	(3.5)	28.54
1985	29,871,626	4.7	27.16
1986	28,945,573	(3.1)	23.85
----- Projected -----			
1987	26,798,000	(7.4)	12.24
1988	25,655,000	(4.3)	15.00
1989	25,271,000	(1.5)	15.00

The average price of Montana crude oil peaked in fiscal 1982 and has fallen since then. During the past twelve months, the rate of decline has accelerated, with price falling from an average of \$25.93 in the last quarter of 1985, to \$19.04 in the first quarter of 1986, and \$11.77 in the second quarter. Our forecast is based on the assumption of price rising to average \$15 in each fiscal 1988 and 1989. The price outlook is premised on the assumptions of rising demand for crude oil and production restraint by suppliers.

As Table 9 shows, taxable production has fallen in three of the last four fiscal years. In the first quarter of 1986, production dropped 5.5 percent compared with the comparable quarter in 1985. The production decline was 10.0 percent for the second quarter of 1986. Taxable production is expected to continue its decline in the forecast period. Production is assumed to decrease 7 percent in each of the remaining quarters of 1986, consistent with the response earlier this year to lower prices. In 1987, production is forecast to fall 5 percent reflecting the sharp drop in exploration and development in 1986 and the relatively low level of prices which do not reach the level of early 1985. The October 1986 rig count was one-half the level of one year ago; during the summer, the ratio was even lower. The rate of production decline is assumed to fall to 2 percent in 1988 and zero in the first quarter of 1989.

Counties in which taxable production increases from one fiscal year to the next receive the tax paid on that increase. Our forecast assumes county payments will reduce general fund revenue by \$476,000 in fiscal 1987, \$127,000 in fiscal 1988, and \$584,000 in fiscal 1989.

INTEREST ON INVESTMENTS

Interest on investments not earmarked for other accounts is deposited in the general fund. This pool of investments is known as the treasurer's fund. Shown in Table 10 are interest earned on the treasurer's fund, the average yield, and the average balance with and without the proceeds from the sale of tax or revenue anticipation notes (TRANS).

Table 10
Historic and Projected Interest Earned on the Treasurer's Fund and Average Balance
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Interest on Treasurer's Fund</u>	<u>Average Yield</u>	<u>Average Balance (Millions)</u>	<u>Average Balance Without TRANS (Millions)</u>
1982	\$42,442,555	13.59%	\$312.2	\$274.8
1983	29,918,421	10.87%	275.3	249.9
1984	23,898,968	10.75%	222.2	222.2
1985	25,723,532	9.87%	260.5	226.5
1986	13,301,923	6.43%	205.0	161.4
----- Projected -----				
1987	15,042,000	5.96%	252.4	176.1
1988	14,190,000	6.79%	209.0	169.0
1989	16,119,000	8.02%	201.0	161.0

To project interest earned on the treasurer's fund, three variables must be forecast: the average interest rate the fund will earn, the average balance without TRANS proceeds, and the average amount of TRANS proceeds in the treasurer's fund (which is based on the timing and amount of the TRANS sale).

During the past two and one-half years, the average maturity of securities in the treasurer's fund has fallen from almost three years to 0.1 years. The shortened maturity reflects the Board of Investment's goal of managing the fund more like a short-term money market fund. Because short-term interest rates are usually lower than long-term rates, the shorter maturity explains some of the decline in average yields during the recent past. Another factor behind the decline is decreases in the level of all interest rates. Our forecast of interest on investment is based on the assumptions the maturity of treasurer's fund securities remains short and that interest rates begin a gradual increase early in 1987.

Based on year-to-date experience, the balance in the treasurer's fund is expected to average \$252.4 million in fiscal 1987; the balance then drops to \$209.0 million in fiscal 1988 and \$201.0 million in fiscal 1989. The increase in the average balance for fiscal 1987 is due to two changes. First, the highways state special revenue account is part of the treasurer's fund in fiscal 1987 while it was not in fiscal 1986. This change was made by the legislature in Special Session III. Second, \$83.2 million of tax anticipation notes were sold in fiscal 1987, compared with \$46 million in fiscal 1986. TRANS proceeds are expected to contribute an average of \$40 million annually to the treasurer's fund balance during the 1989 biennium. That decline in TRANS proceeds coupled with declining highway account balances accounts for the drop in the anticipated treasurer's fund balance in the next biennium.

BOND TRANSFER

The bond transfer to the general fund is made from the long-range building program debt service account and is equal to the balance in the account in excess of that which must be held for future principal and interest payments. Since funds for principal and interest payments come from a general fund appropriation, all revenue deposited in this debt service account is available for transfer to the general fund. The debt service account receives 11 percent of individual income and corporation license tax receipts paid to the state, 79.75 percent of the cigarette tax, and the tobacco products tax. Table 11 shows bond transfers to the general fund since fiscal 1982 and forecasted transfers for fiscal years 1987 through 1989.

Table 11
Historic and Projected Bond Transfer to the General Fund
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Transfer</u>	<u>Percent Change</u>
1982	\$29,450,000	11.1
1983	22,797,971	(22.6)
1984	41,682,643	82.8
1985	37,535,668	(9.9)
1986	35,487,786	(5.5)
----- Projected -----		
1987	34,761,000	(2.0)
1988	36,190,000	4.1
1989	40,344,000	11.5

Prior to fiscal 1984, the debt service account (which was then known as a sinking fund) received tax revenue and interest income; principal and interest payments were made directly from the account, meaning that the balance available for transfer to the general fund was revenue less debt service payments. Long-range building bonds were refinanced during fiscal 1984 which inflated the general fund transfer for that year by approximately \$13.1 million. Refinancing was also responsible for the current procedure of paying debt service costs with a general fund appropriation, leaving all revenue to the account available for transfer to the general fund.

The assumptions underlying projections of individual and corporate tax revenue have been discussed elsewhere. Cigarette sales have been declining since fiscal 1982 and are expected to continue that trend during the forecast period. Based on year-to-date tax collections, revenue from the cigarette tax is forecast to decline 13.8 percent in fiscal 1987, then return to a more average 5.5 percent decrease in fiscal 1988 and 1989.

Consistent with last year's increase and growth observed this year, revenue from the tobacco products tax is assumed to grow approximately 3 percent annually.

COAL TAX TRUST FUND

The coal tax trust fund is established in the Montana constitution and receives 50 percent of coal severance tax collections. Of this 50 percent, one-fourth is deposited to the in-state investment fund for economic development projects and three-fourths is deposited to the permanent trust fund. Coal severance tax bonds, issued to promote water development in Montana, are subsidized by the coal tax deposit to the permanent trust when water development loan repayments do not cover debt service costs.

Table 12 shows historic and projected trust fund income to the general fund for fiscal years 1982 through 1989. Under current law, 85 percent of trust fund income is allocated to the general fund and 15 percent is reinvested in the trust. Prior to fiscal 1984, the general fund received all of the trust fund income. Fiscal 1985 trust fund income includes a \$3.1 million GAAP adjustment. Fiscal 1986 includes a second GAAP adjustment, which added \$6.1 million to the general fund.

Table 12
Historic and Projected Income From the Coal Tax Trust Fund
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Percent Change</u>
1982	\$11,542,421	55.5
1983	18,466,762	60.0
1984	19,250,210	4.2
1985	27,471,275	42.7
1986	38,526,779	40.2
----- Projected -----		
1987	32,335,000	(16.1)
1988	32,984,000	2.0
1989	36,683,000	11.2

Interest earnings on the coal tax trust are directly related to coal tax collections and interest rates. Projected declines in coal tax collections result in lower annual deposits to the trust fund. The deposits to the permanent trust and the in-state investment fund, projected to total \$37.9 million in fiscal 1987, fall to \$33.3 million in fiscal 1988, and rise to \$33.9 million in fiscal 1989.

Long-term securities comprise the majority of permanent trust fund investments. Because new long-term investments earn lower interest rates than securities purchased in the past, the average yield on the trust declines over the forecast period. Interest rates on new long-term investments are forecast at 9.25, 10.21 and 10.58 percent in the fiscal years 1987-1989 respectively.

The in-state investment fund provides loans for economic development projects in Montana. The interest rates on these loans are tied to the U.S. treasury bill rate plus a percentage depending on the level of risk. An average annual yield of 8.3-8.5 percent is projected on loans outstanding in fiscal years 1987-1989. These projections

are based on the Economic Development Board making \$12 million of new loans annually in fiscal years 1987 through 1989.

A portion of the permanent trust and the balance of the in-state investment fund which is not loaned out are invested in the short-term investment pool (STIP). STIP investments from the permanent trust are projected to increase in fiscal 1987 as bond calls accelerate the turnover of securities in the trust fund portfolio. The average balance of trust funds invested in STIP falls in the 1989 biennium when coal tax deposits decline and bond calls subside. Short-term investment rates are forecast at 6.56, 6.52, and 7.36 percent in fiscal years 1987-1989 respectively.

Coal severance tax bond subsidies will be needed in each of fiscal years 1987 through 1989. A total of \$28.365 million of coal tax bonds are outstanding under the water development program. The coal tax subsidy for fiscal 1987 is projected at \$650,000. The higher subsidy in fiscal 1987 follows the issuance of \$17.52 million of new bonds in the second-half of 1985, for which debt service payments began in June 1986. The new bonds were issued at a variable interest rate, so future subsidies will be determined by future interest rates as well as the level of loan repayments. The coal tax subsidy is projected to be \$336,000 in fiscal 1987 and \$329,000 in fiscal 1989. Subsidies in the 1989 biennium are lower because loans made with the proceeds from the 1985 issues will begin to be repaid. If and when additional water development bonds are issued in the 1989 biennium, the coal tax subsidy will increase.

INSURANCE TAXES

Insurance companies operating in the state are required to pay a tax equal to 2.75 percent of net premiums on policies sold in Montana (Section 33-2-705, MCA). From collections of the insurance tax, payments are made to police and firefighters' pension funds. Beginning in fiscal 1986, the insurance department in the State Auditor's office is funded from fees and charges collected by the department. After payments to pension funds and the earmarking of fees and charges, the remainder of tax receipts are deposited in the general fund. Since fiscal 1982, general fund revenue from insurance taxes has fluctuated as shown in Table 13.

Table 13
Historic and Projected General Fund Revenue from Insurance Taxes
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$12,790,003	33.9
1983	13,001,479	1.6
1984	13,621,332	4.8
1985	15,691,565	15.2
1986	16,780,399	6.9
- - - - - Projected - - - - -		
1987	18,555,000	10.6
1988	19,837,000	6.9
1989	21,727,000	9.5

In fiscal 1984, over \$1 million more than needed was retained for pension payments and deposited in the general fund in fiscal 1985 as a prior year revenue adjustment. Two factors contributed to the low growth in revenue in fiscal 1986: (1) increases in the state's contribution rates to pension funds; and (2) the earmarking of some collections for operation of the insurance department which began that year.

The procedure used to forecast general fund revenue from insurance premium taxes is to project total insurance taxes and then subtract an estimate of required pension fund payments and insurance department earmarking. Since fiscal 1982, insurance taxes have grown at an average annual rate of 8.1 percent, excluding the increase attributable to the genetics program charge first imposed in fiscal 1986. Growth is assumed to continue at that average rate during the forecast period. The genetics program charge terminates June 30, 1987.

Following an increase of 9.6 percent in fiscal 1987, payments to pension funds are assumed to grow 4.2 percent annually in each fiscal year 1988 and 1989. The large growth rate in fiscal 1987 is due to that year's being the first full year of higher state contribution rates to firefighter and police pension funds. Revenue earmarked for operation of the insurance department is forecast to remain at the fiscal 1986 level.

INSTITUTIONAL REIMBURSEMENT

Seven of Montana's state institutions -- Montana Development Center, Center for the Aged, Eastmont, Mountain View School, Montana State Hospital (which includes the Galen and Warm Springs campuses), the Montana Youth Treatment Center, and the Veteran's Home -- collect partial reimbursement for the costs of patient care. While all funds which reimburse the Veteran's Home and funds from the alcohol program at Galen are returned to those institutions, other reimbursements are deposited in the general fund. Table 14 shows general fund collections of institutional reimbursement since fiscal year 1982.

Table 14
Historic and Projected General Fund Collections
of Institutional Reimbursement
Fiscal Years 1982 through 1986

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$10,974,197	10.0
1983	11,406,505	3.9
1984	9,179,920	(19.5)
1985	12,895,427	40.5
1986	14,193,367	10.1
----- Projected -----		
1987	15,305,000	7.8
1988	16,270,000	6.3
1989	16,948,000	4.2

Fiscal 1982 revenue was inflated by the accrual of \$2.4 million held in trust pending settlement of a lawsuit challenging the institution's authority to collect

reimbursement from a patient's private resources. Fiscal 1984 revenue was deflated by \$2.4 million of institutional reimbursement earned that year which was not credited to the general fund until the following year. In fiscal 1986, the general fund began receiving current year revenue from the Center for the Aged, Eastmont, and the Montana Development Center which had previously gone to patients' accounts.

Four sources contribute to institutional reimbursement: private resources of the patients or parties responsible for them, insurance, medicare, and medicaid. In fiscal 1986, medicaid payments accounted for 84 percent of total institutional reimbursement.

Reimbursement from medicaid is forecast to increase 8.2 percent in fiscal 1987, 6.6 percent in fiscal 1988, and 3.8 percent in fiscal 1989. With the exception of the rates for the Montana Development Center and Eastmont, medicaid reimbursement rates are assumed to grow 4 percent annually during the forecast period premised on the expectation costs will increase at that rate. Because the Montana Development Center and Eastmont are intermediate care facilities for the mentally retarded, their reimbursement rates equal the forecasted costs of the institutions with the restriction that the rates may not grow by more than 9 percent annually. Projected costs for these two institutions are currently above the reimbursement rates. Consequently their rates are forecast to grow by more than the increase in costs projected for fiscal years 1987 and 1988. Reimbursement from other sources is forecast to increase at an average rate of 5.4 percent over the forecast period.

LIQUOR PROFITS

The Liquor Division in the Department of Revenue operates stores throughout Montana which sell liquor and wine to the public and other retail establishments. Table 15 shows liquor profits earned and the general fund deposit made by the division since fiscal 1982 and forecasts for fiscal years 1987 through 1989.

Table 15
Historic and Projected Liquor Profits and General Fund Deposit
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Liquor Profits</u>	<u>General Fund Deposit</u>
1982	\$5,681,187	\$5,750,000
1983	5,010,213	4,500,000
1984	5,408,943	5,782,000
1985	4,340,660	4,466,000
1986	4,698,814	4,500,000
- - - - - Projected - - - - -		
1987	4,802,000	4,802,000
1988	6,112,000	6,112,000
1989	6,755,000	6,755,000

In projecting liquor profits, the assumptions made about liquor and wine sales are consistent with those used to forecast liquor and wine taxes. See those analyses for the assumptions used. Although unit sales continue to decline, liquor profits

increase during the forecast period as the Liquor Division restructures prices in 1987 and proceeds with conversion of state stores to agencies as directed by the legislature. Restructuring and conversions add \$4.2 million to profits during the forecast period.

LIQUOR EXCISE TAX

Section 16-1-401, MCA, authorizes collection of a liquor excise tax and sets the rate at 16 percent of the retail selling price. (The retail selling price is defined as the state's cost plus mark-up and is less than a customer pays in a state liquor store.) All revenue collected from the tax is deposited in the general fund. As shown in Table 16, both tax collections and unit liquor sales have declined since fiscal 1983.

Table 16
Historic and Projected Liquor Excise Tax Collections and Unit Liquor Sales
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>	<u>Unit Sales</u>	<u>Percent Change</u>
1982	\$6,572,066	3.6	7,381,728	(1.8)
1983	6,599,727	(0.4)	7,147,581	(3.2)
1984	6,415,784	(2.8)	6,864,154	(4.0)
1985	5,935,058	(7.5)	6,317,465	(8.0)
1986	5,836,884	(1.7)	5,988,073	(5.2)
----- Projected -----				
1987	5,883,000	0.8	5,749,000	(4.0)
1988	6,074,000	3.2	5,576,000	(3.0)
1989	6,221,000	2.4	5,465,000	(2.0)

The forecast of tax collections is based on the assumption the decline in liquor consumption will slow in the future and that average prices will rise in the 1989 blennium, with inflation and the price restructuring proposed by the Liquor Division.

INHERITANCE TAX

Title 72 of the Montana Code Annotated authorizes the collection of inheritance and estate taxes. The inheritance tax liability depends on the size of an estate and the relationship of the heirs to the descendant. Estate taxes also depend on the size of the estate and are equal to the credit allowed by the federal estate tax for state taxes. Since fiscal 1982, collections from inheritance taxes have changed as shown in Table 17.

Table 17
Historic and Projected Inheritance Tax Revenue
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$7,680,529	24.0
1983	6,398,489	(16.7)
1984	5,960,471	(6.8)
1985	7,656,622	28.5
1986	7,179,417	(6.2)
----- Projected -----		
1987	8,804,000	22.6
1988	7,704,000	(12.5)
1989	8,051,000	4.5

The general downward trend in tax collections between fiscal years 1982 and 1984 can be attributed to several statutory changes. At the state level the 1981 legislature eliminated the tax on the inheritance of lineal descendants. At the national level, the Economic Recovery Tax Act of 1981 modified federal estate tax laws. Modifications enacted include increases in the unified credit and elimination of the tax on transfers between spouses. Gradual increases in the size of an estate exempt from federal taxation result in fewer estates, over time, being taxed and thus generating a credit which is picked up at the state level. The size of the unified credit increases annually beginning with deaths occurring in calendar year 1982.

In fiscal 1987, the primary cause of revenue growth is the anticipated settlement of an estate owing \$1.5 million in taxes. Fiscal 1988 and 1989 taxes are forecast to increase at approximately the rate of inflation, after adjustment for the large payment in fiscal 1987.

METAL MINES TAX

The metal mines tax is levied on producers of gold, silver, copper, lead, and any other metal or precious or semiprecious gems or stones of any kind. Beginning with the calendar 1985 tax year, no tax is assessed on the first \$250,000 of gross value of metal mined, exempting mines with little output, and the marginal tax rate rises from 0.5 percent on the second \$250,000 of gross value to 1.5 percent on gross value over \$1,000,000. Collections for tax years beginning after December 31, 1984 are allocated 67 percent to the general fund and 33 percent to the hard-rock mining impact trust account. The tax is due on March 1 for production during the preceding calendar year. Prior to calendar year 1985, the tax rate varied from 0.15 percent on the first \$100,000 to 1.438 percent on value over \$500,000. All revenue was deposited in the general fund.

Table 18 shows general fund revenue from the metal mines tax since fiscal 1982 and forecasts for fiscal years 1987 through 1989.

Table 18
Historic and Projected Collections of the Metal Mines Tax
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$1,861,209	19.0
1983	1,542,061	(17.1)
1984	2,630,135	70.6
1985	1,977,324	(24.8)
1986	989,852	(49.9)
----- Projected -----		
1987	1,171,000	18.3
1988	2,231,000	90.5
1989	2,783,000	24.7

During fiscal years 1982 and 1983, the Anaconda Company paid the majority of the metal mines tax and revenue was dependent on the price of copper and production levels by that company. In fiscal years 1984 through 1986, most of the tax was paid by gold and silver producers.

Between January 1986 and December 1988, three new metal mines are forecast to begin commercial production. Montana Resources began shipments from its Butte mine in August 1986. The Stillwater mine expects to begin commercial production of platinum and palladium in mid-1987. Montana Tunnels anticipates producing gold, silver, lead, and zinc from its mine for eight months in 1987 and all of 1988.

Mines in operation prior to 1986 were assumed to produce in the future near their average levels of the recent past. For the new mines, company personnel supplied forecasts of output levels.

Taxes are derived primarily from the production of gold and silver whose prices are subject to speculative pressures. Copper and molybdenum are also currently produced. The opening of new mines will add platinum, palladium, lead, and zinc to the list of metals extracted. Table 19 shows metal prices used in making the tax forecast.

Table 19
Forecast of Metal Prices

<u>Metal</u>	<u>CY 1986</u>	<u>CY 1987</u>	<u>CY 1988</u>
Gold (oz)	\$360.00	\$400.00	\$400.00
Silver (oz)	5.50	6.00	6.00
Copper (lb)	0.60	0.60	0.60
Platinum (oz)	---	500.00	500.00
Palladium (oz)	---	145.00	145.00
Lead (lb)	---	0.20	0.20
Zinc (lb)	---	0.40	0.40
Molybdenum (lb)	3.25	3.25	3.25

ELECTRICAL ENERGY TAX

Electrical energy producers are taxed \$0.0002 per kilowatt hour (kwh) on electricity or electrical energy generated, manufactured, or produced in the state of Montana. Since fiscal 1982, the license tax revenue has grown as shown in Table 20.

Table 20
Historic and Projected Electrical Energy Tax Revenue
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1982	\$1,753,173	28.2
1983	1,546,157	(11.8)
1984	2,413,172	56.1
1985	2,361,855	(2.1)
1986	2,530,403	7.1
----- Projected -----		
1987	2,654,000	4.9
1988	2,599,000	(2.1)
1989	2,549,000	(1.9)

An audit of Montana Power by the Department of Revenue resulted in the payment of \$552,021.69 owed by the company as taxes and interest in December 1983, which accounts for most of the rise seen in fiscal 1984.

Tax liabilities can be reduced by an interest differential credit. The credit is claimed by public utilities lending money for residential energy conservation and is equal to the difference between interest actually received on the loans and that which would have been received at the prevailing average interest rate for home improvement loans. Since fiscal 1980, the interest differential credit has grown from \$10,227 to \$398,482 in fiscal 1986.

Between fiscal years 1986 and 1987, production and tax payments climb with growth in output by the Colstrip 3 and 4 units. Output remains at the fiscal 1987 level during the 1989 biennium, and tax collections decline as the interest differential credit grows.

DRIVERS LICENSE FEES

Section 61-5-111(6), MCA establishes fees for the issuance of driver's licenses and motorcycle endorsements. Included in this category of revenue are general fund revenue from drivers' licenses, the motorcycle endorsement, duplicate driver's licenses, and the photo copy fee. Since fiscal 1982, general fund revenue has fluctuated as shown in Table 21.

Table 21
Historic and Projected General Fund Revenue from Driver's License Fees
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1982	\$916,657	(21.2)
1983	816,376	(10.9)
1984	799,652	(2.0)
1985	803,983	0.5
1986	796,349	(1.0)
----- Projected -----		
1987	813,000	2.1
1988	800,000	(1.6)
1989	800,000	0.0

During the forecast period, general fund revenue from driver's license fees is expected to remain near the \$800,000 level of the past several years. The fiscal 1987 forecast was derived from year-to-date receipts.

TELEPHONE COMPANY LICENSE TAX

Authorized by Section 15-53-101, MCA, the telephone company license tax is equal to 1.725 percent of gross income in excess of \$250 quarterly derived from any telephone business within the state.

Since fiscal 1982, collections of the telephone company license tax have risen from \$2.2 million to \$3.2 million as shown in Table 22. During the forecast period, revenue is expected to rise to \$3.4 million.

Table 22
Historic and Projected Telephone Company License Tax Revenue
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$2,167,815	6.3
1983	2,463,670	13.6
1984	2,521,905	2.4
1985	2,931,732	16.2
1986	3,243,935	10.6
----- Projected -----		
1987	3,340,000	3.0
1988	3,352,000	0.4
1989	3,406,000	1.6

Because tax receipts rise with the gross incomes of covered telephone companies, tax increases are due to growth in the quantity of services provided, and to price increases on telephone services. On January 1, 1984, American Telephone and Telegraph (AT&T) divested itself of the local operating companies, such as Mountain Bell, which may not now lease customer premise equipment (e.g., telephone sets, PBX systems). Mountain Bell's revenue loss from not being able to lease equipment would, by itself, reduce the state's revenue from the telephone company license tax. This loss is partially responsible for the slow growth in revenue between fiscal 1983 and 1984.

In fiscal 1986, Mountain Bell paid 73 percent of the total telephone company license tax. AT&T Communications paid 18 percent of the total, while eight smaller companies were responsible for the remaining 9 percent.

The revenue forecast was derived from modest rate increases expected for Mountain Bell which are partially offset by rate reductions currently scheduled for AT&T.

BEER TAX

Sections 16-1-406 through 408, MCA, levy taxes totaling \$4.30 per 31-gallon barrel of beer. From the tax on each barrel, \$1.80 is deposited in the general fund, \$1.50 goes to incorporated cities and towns, and \$1.00 is credited to the Department of Institutions for alcoholism programs. The 1985 legislature increased the tax rate 30 cents per barrel and specified that the additional tax would be deposited in the general fund. Table 23 shows general fund revenue from the beer tax since fiscal 1982.

Table 23
Historic and Projected General Fund Revenue From the Beer Tax
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1982	\$1,229,888	0.9
1983	1,235,805	0.5
1984	1,203,236	(2.6)
1985	1,156,186	(4.0)
1986	1,287,765	11.4
- - - - - Projected - - - - -		
1987	1,254,000	(2.6)
1988	1,229,000	(2.0)
1989	1,229,000	0.0

Because the rate of the beer tax did not change between fiscal years 1982 and 1985, the percent changes in tax revenue shown for those years reflect changes in barrels of beer taxed. The decline which began in fiscal 1984 has continued through fiscal 1986 when volume sales declined 5.6 percent. For the first four months of fiscal 1987, beer volume is down 4.2 percent. Assuming this pattern continues, fiscal 1987 general fund revenue from the beer tax is forecast to total \$1,254,000.

Under current law, consumption is forecast to decline 2 percent in fiscal 1988 and remain constant in fiscal 1989. Beer sales and tax collections would be lower if the legislature raises the legal drinking age to 21.

NATURAL GAS SEVERANCE TAX

In accordance with Section 15-36-101, MCA, a severance tax of 2.65 percent of total gross value is levied on the production of natural gas in the state. Tax revenue on a year-to-year production increase within a county is paid to that county.

Since fiscal year 1980, natural gas severance tax collections by the general fund have changed as shown in Table 24. Also shown is revenue projected for fiscal years 1987 through 1989.

Table 24
Historic and Projected Natural Gas Severance Tax
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>General Fund Revenue</u>	<u>Percent Change</u>
1982	\$2,474,811	31.5
1983	2,525,059	2.0
1984	2,797,996	10.8
1985	2,945,778	5.3
1986	2,890,666	(1.9)
----- Projected -----		
1987	2,082,000	(28.0)
1988	1,847,000	(11.3)
1989	2,215,000	19.9

In fiscal 1982 and 1983, the money to pay counties with increased production was set aside from tax collections before the general fund deposit was made. In fiscal years 1984 and 1985, payments were made with a general fund appropriation, rather than withholding money from the general fund. The change in accounting procedures accounts for most of the growth in revenue between fiscal years 1983 and 1984. In fiscal 1986, there was no set-aside from revenue or general fund appropriation to pay counties with increased production.

Table 25 shows actual taxable production and average price for natural gas in fiscal years 1984, 1985, and 1986, and projected values for fiscal years 1987, 1988, and 1989.

Table 25
Taxable Production and Average Price for Natural Gas
Fiscal Years 1984 Through 1989

<u>Fiscal Year</u>	<u>Taxable Production</u>	<u>Percent Change</u>	<u>Average Price</u>
1984	44,213,508	--	\$2.46
1985	43,716,702	(1.1)	2.44
1986	43,869,698	0.3	2.40
----- Projected -----			
1987	40,268,000	(8.2)	2.05
1988	38,098,000	(5.4)	2.11
1989	35,178,000	(7.7)	2.38

Receipts from the natural gas tax depend on the levels of taxable production and price. In January 1985, the federal government removed controls on the price of most natural gas. The Montana average price of gas fell from \$2.53 per thousand cubic feet (MCF) in the quarter ending December 1984 to \$2.32 in the quarter ending March 1985. Since that time, price has changed little, averaging \$2.40 before falling to \$2.14 for the June 1986 quarter. The projected price for fiscal 1986 is based on forecasts by Wharton Econometrics. Prices remain near current level through the end of 1987, then rise to \$2.32 in 1988, and \$2.52 in 1989.

The decrease in taxable production forecast is based on the 22.6 percent decline in production observed in the second quarter of 1986 and on the expectation the demand for the state's natural gas will decline in the future consistent with Montana Power's long-term forecast.

Payments to counties with increased production are assumed to be made by decreasing general fund revenue.

FREIGHT LINE COMPANY LICENSE TAX

Established by Section 15-55-102, MCA, the freight line company license tax is assessed at the rate of "5 1/2 percent of the total gross earnings received from all sources by reason of the use or operation of such cars within this state." Since fiscal 1982, the freight line tax has yielded general fund revenue in the amounts shown in Table 26. Also shown are forecasted revenues for fiscal years 1987 through 1989.

Table 26
Historic and Projected Freight Line Company License Tax Revenue
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$1,344,761	12.0
1983	1,432,164	6.5
1984	1,334,111	(6.8)
1985	1,379,418	3.4
1986	1,195,066	(13.4)
----- Projected -----		
1987	1,458,000	22.0
1988	1,524,000	4.5
1989	1,593,000	4.5

The decline in fiscal 1986 is probably attributable to the drought and resulting low levels of Montana grain harvests and shipments. Assuming the state's agricultural sector recovers in calendar year 1986, freight line taxes are projected to increase to \$1,458,000 in fiscal 1987. In fiscal years 1988 and 1989, tax collections are forecast to grow 4.5 percent annually, based on the current outlook for inflation and the assumption wheat and coal shipments remain near the levels of 1986.

WINE TAX

According to Section 16-1-411, MCA, table wine sold in the state is taxed at the rate of 27 cents per liter. Sixteen cents of the tax is deposited in the general fund, while the remainder goes to the Department of Institutions and local governments. Table 27 shows changes in wine tax collections which have occurred since fiscal 1982 and those forecast through fiscal 1989.

Table 27
Historic and Projected General Fund Revenue from the Wine Tax
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Collections</u>	<u>Percent Change</u>
1982	\$715,246	(23.2)
1983	895,718	25.2
1984	904,932	1.0
1985	905,648	0.1
1986	946,287	4.5
----- Projected -----		
1987	1,028,000	8.6
1988	1,070,000	4.1
1989	1,070,000	0.0

Based on tax collections during the first four months of fiscal 1987, wine sales are forecast to increase 8.7 percent this year. The growth in wine sales is forecast to decline to 4 percent in fiscal 1988 and 0 percent in fiscal 1989.

OTHER REVENUE

The "other" revenue category contains a large number of taxes, fees, and other types of revenue which individually yielded less than \$2.5 million in general fund revenue during fiscal 1986. Because components of the category change over time, as new taxes and fees are established and some are discontinued, an analysis of growth trends is difficult.

Table 1 shows general fund revenue from other sources since fiscal 1982 and projections for fiscal years 1987 through 1989.

Table 28
Historic and Projected General Fund Revenue from Other Sources
Fiscal Years 1982 through 1989

<u>Fiscal Year</u>	<u>Revenue</u>	<u>Percent Change</u>
1982	\$ 9,476,003	(11.2)
1983	11,176,072	17.9
1984	12,219,313	9.3
1985	13,257,663	8.5
1986	17,496,901	32.0
----- Projected -----		
1987	21,931,000	25.3
1988	16,037,000	(26.9)
1989	16,880,000	5.3

The size of the fiscal 1986 revenue increase is the result of video poker license fees and the vehicle license fee for district courts imposed for the first time that year.

Besides video poker and vehicle license fees, major contributors to the other revenue category include licenses and permits sold by the Public Service Commission, the contractors' gross receipts tax, and investment licenses and permits. Revenue from the major contributors was forecast for the individual sources based on historic experience.

Fiscal 1987 revenue is inflated by the \$3.4 million of proceeds anticipated from sale of the Montana Youth Treatment Center. Based on current law, the vehicle license fee for district courts is assumed to expire July 1, 1987, contributing to a revenue drop in fiscal 1988.

A COMPARISON OF GENERAL FUND REVENUE PROJECTIONS

Over fiscal years 1987 through 1989, the Office of the Legislative Fiscal Analyst forecasts general fund revenue will total \$7.9 million more than the executive budget under current law. Most of the difference occurs in the 1989 biennium.

For fiscal 1987, the LFA anticipates general fund revenue of \$347.6 million which is \$2.8 million less than the executive forecast of \$350.3 million. Table 1 shows the fiscal 1987 difference by revenue category.

General Fund Revenue Comparison Fiscal Year 1987 (Thousands)			
Category	LFA	Executive	Difference
Individual Income Tax	\$119,560	\$123,742	\$(4,182)
Corporation License Tax	28,815	26,558	2,257
Coal Severance Tax	17,515	17,855	(340)
Oil Severance Tax	10,456	10,572	(116)
Interest on Investments	15,042	15,857	(815)
Bond Transfer	34,761	35,785	(1,024)
Coal Trust Fund Interest	32,335	33,612	(1,277)
Insurance Premiums Tax	18,555	18,248	307
Public Institutions Reimb.	15,305	14,114	1,191
Liquor Profits	4,802	4,749	53
Liquor Excise Tax	5,883	5,625	258
Inheritance Tax	8,804	8,480	324
Metal Mines Tax	1,171	1,185	(14)
Electrical Energy Tax	2,654	2,583	71
Driver's License Fees	813	804	9
Telephone License Tax	3,340	3,348	(8)
Beer Tax	1,254	1,232	22
Natural Gas Severance Tax	2,082	2,241	(159)
Freight Line Tax	1,458	1,337	121
Wine Tax	1,028	984	44
Other Revenue Sources	<u>21,931</u>	<u>21,433</u>	<u>498</u>
Total	<u>\$347,564</u>	<u>\$350,344</u>	<u>\$(2,780)</u>

The largest differences are in the individual and corporation tax categories. In making our forecast, we assumed that Montana non-farm labor income would grow 1.6 percent in 1986, while the executive used 5.3 percent growth in Montana personal income in its forecasting. Personal income is the broader measure of income and include agricultural income and non-labor income such as interest. The difference in income growth rates apparently accounts for the difference in revenue forecasts. To derive corporation tax revenue, we assumed a higher rate of corporate profitability than did the executive. Overall, the executive forecast for fiscal 1987 was only 0.8 percent higher than the LFA.

In the 1989 biennium, the LFA forecast is \$10.7 million higher than the executive. The largest differences in the revenue forecasts occur in individual income taxes, coal severances taxes, and liquor profits. Table 2 details the differences between the two forecast by revenue category.

The difference in individual income tax forecasts is largest in fiscal 1988. While the LFA forecast assumes non-farm labor income will increase 5.3 percent between 1985 and 1987, the executive foresees growth of 10.3 percent in personal income. The difference in income growth assumptions apparently accounts for the \$5.5 million difference in forecasted tax revenues for fiscal 1988.

The LFA coal tax projection for the general fund category alone is \$4.6 million, or 17 percent, below the executive projection. The LFA average contract sales price projection is \$1.20 below the executive price of \$8.985 for calendar 1987 and \$1.02 below the executive price of \$9.019 for calendar 1988. The LFA forecasts price declines based on production shifts in the Montana coal market toward lower-priced producers, price concessions, and increases in the allowable royalty reduction.

Over the 1989 biennium the LFA forecasts \$4.9 million more in general fund revenue from liquor profits than does the executive. There are two major causes of the difference. First, the LFA assumes that price restructuring and the conversion from state to agency stores now underway in the Liquor Division will increase profits in the 1989 biennium by \$3.7 million while the executive forecasts a gain of less than \$1 million. Second, the LFA anticipates the rate of decline in unit liquor sales will slow in the next biennium, falling from 4 percent this year to 3 percent in fiscal 1988 and 2 percent in fiscal 1989. In contrast, the executive foresees 5 percent annual declines for each of the three years.

The 1989 biennium revenue difference of \$10.7 million is equal to 1.4 percent of revenue forecast by the LFA.

Table 2
General Fund Revenue Comparison
Fiscal Years 1988 and 1989
(Thousands)

Category	Fiscal 1988			Fiscal 1989			1989 Biennium		
	LFA	Exec.	Diff.	LFA	Exec.	Diff.	LFA	Exec.	Diff.
Individual Income Tax	\$127,721	\$133,176	\$(5,455)	\$148,509	\$147,194	\$1,315	\$276,230	\$280,370	\$(4,140)
Corporation License Tax	31,587	30,816	771	37,428	34,262	3,166	69,015	65,078	3,937
Coal Severance Tax	10,555	12,846	(2,291)	11,076	13,367	(2,291)	21,631	26,213	(4,582)
Oil Severance Tax	12,701	12,539	162	12,052	13,584	(1,532)	24,753	26,123	(1,370)
Interest on Investments	14,190	15,707	(1,517)	16,119	17,476	(1,357)	30,309	33,183	(2,874)
Bond Transfer	36,190	37,602	(1,412)	40,344	40,138	206	76,534	77,740	(1,206)
Coal Trust Fund Interest	32,984	31,067	1,917	36,683	34,307	2,376	69,667	65,374	4,293
Insurance Tax	19,837	18,937	900	21,727	20,002	1,725	41,564	38,939	2,625
Institutional Reimbursement	16,270	14,684	1,586	16,948	14,829	2,119	33,218	29,513	3,705
Liquor Profits	6,112	4,151	1,961	6,755	3,789	2,966	12,867	7,940	4,927
Liquor Excise Tax	6,074	5,397	677	6,221	5,179	1,042	12,295	10,576	1,719
Inheritance Tax	7,704	7,211	493	8,051	7,450	601	15,755	14,661	1,094
Metal Mines Tax	2,231	2,295	(64)	2,783	2,671	112	5,014	4,966	48
Electrical Energy Tax	2,599	2,635	(36)	2,549	2,621	(72)	5,148	5,256	(108)
Drivers' License Fees	800	799	1	800	809	(9)	1,600	1,608	(8)
Telephone License Fees	3,352	3,400	(48)	3,406	3,459	(53)	6,758	6,859	(101)
Beer License Tax	1,229	1,156	73	1,229	1,078	151	2,458	2,234	224
Natural Gas Tax	1,847	2,428	(581)	2,215	2,833	(618)	4,062	5,261	(1,199)
Freight Line Tax	1,524	1,339	185	1,593	1,365	228	3,117	2,704	413
Wine Tax	1,070	1,025	45	1,070	1,068	2	2,140	2,093	47
Other Revenue	16,037	14,630	1,407	16,880	15,014	1,866	32,917	29,644	3,273
Total	\$352,614	\$353,840	\$(1,226)	\$394,438	\$382,495	\$11,943	\$747,052	\$736,335	\$10,717

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PUBLIC SCHOOL FOUNDATION PROGRAM
COMPARISON OF EXECUTIVE AND LFA FUNDING PROJECTIONS
1989 BIENNIUM
(Millions)

	<u>LFA</u>	<u>Executive</u>	<u>Difference</u>
<u>State Equalization</u>			
25% Individual Income Tax	\$107.902	\$109.520	\$ (1.618)
25% Corporate License Tax	26.959	25.421	1.538
Coal Severance Tax	5.031	25.217	(20.186)
Interest and Income	67.368	66.026	1.342
U.S. Mineral Royalties	34.388	33.758	0.630
Education Trust Interest (67.5%)	13.146	12.653	0.493
Total State Equalization	\$254.794	\$272.595	\$(17.801)
<u>County Equalization</u>			
45 Mill Levy	\$173.460	\$180.984	\$ (7.524)
Miscellaneous	18.568	14.865	3.703
Forest Funds	2.452	2.238	0.214
Grazing Funds	0.244	0.236	0.008
Elem. Transportation	(7.576)	(7.254)	(0.322)
High School Tuition	(1.522)	(1.522)	0.000
Total County Equalization	\$185.626	\$189.547	\$ (3.921)
<u>District Share of Permissive</u>	<u>\$ 36.619</u>	<u>\$ 32.375</u>	<u>\$ 4.244</u>
Total Non-General Fund	\$477.039	\$494.518	\$(17.478)
Less Formula-Driven Costs	572.203	571.620	0.583
General Fund Required	<u>\$ 95.164</u>	<u>\$ 77.102</u>	<u>\$ 18.062</u>

The above table compares LFA and executive projections for foundation program funding in the 1989 biennium. The LFA projections are based upon current law; the executive projections reflect the shifts in coal tax and local government block grant funds.

ISSUE 1: INCONSISTENCIES IN EXECUTIVE REVENUE ESTIMATES

The executive budget contains two sets of foundation program revenue estimates. The first set is entitled "Current Law, Foundation Program Revenue Estimates" and contains those estimates that were approved by the Governor's Revenue Estimating Advisory Council. The second set of estimates is entitled "Governor's Executive Budget Proposal, Foundation Program Estimates" and contains revenue projections based on proposed shifts in coal tax and local government block grant funding. A problem exists in the presentation of these revenue estimates because there are changes in certain revenue estimates for which there are no proposed policy changes. Specifically, for fiscal 1987, the executive estimates for county miscellaneous revenues and cash reappropriated are not consistent from one set of estimates to the next, yet no policy changes are proposed. The executive estimates shown in the comparison

table above are based upon the foundation program revenue estimates listed in the "Governor's Executive Budget Proposal."

ISSUE 2: SHIFTS IN COAL TAX FUNDING

The executive budget proposes that the 7.6 percent of coal tax funds, that under current law are allocated to the education trust, be diverted to the public school foundation program in the 1989 biennium. Another 5.4 percent would be diverted from the local impact account to the public schools. In total, schools would receive 16.8 percent of coal tax funds under the executive proposal compared to 3.8 percent under current law. The executive estimates that the combined effect of increasing the coal tax allocation and diverting the deposits to the education trust and local impact accounts would be to increase public school revenue by \$18.5 million. The LFA estimates that the combined effect would increase public school revenue by \$16.5 million.

ISSUE 3: FISCAL 1987 GENERAL FUND SUPPLEMENTAL

The executive budget shows a general fund reversion of \$.5 million in fiscal 1987 from the public school foundation program. Whereas, the LFA projects the need for a general fund supplemental of \$1.79 million. The major differences between the LFA and the executive are in the individual income tax and common school interest and income estimates. The differences in individual income tax estimates are discussed in the General Fund Revenue section of this book. The LFA estimate of common school interest and income is \$1.1 million lower due to lower estimates of bond premiums earned on the common school trust fund in fiscal 1987.

ISSUE 4: FOUNDATION PROGRAM REVENUES FOR THE 1989 BIENNIUM

For the 1989 biennium, the executive budget estimates that, under the executive proposal, revenues to the public school foundation program will total \$494.5 million. Compared to the LFA estimate of \$477.0 million, the executive revenue estimate is \$17.5 million higher. Excluding the proposed policy changes, revenue differences total \$1.0 million over the biennium. Differences in projections of individual income, corporate license, and coal severance taxes are discussed in the General Fund Revenue section of this book.

The largest differences in revenue estimates occur in the county and district funding projections. The LFA estimate for collections from the 45 mill levy is \$7.5 million below that of the executive because the LFA assumes a greater reduction in the value of net and gross proceeds for tax years 1987 and 1988. Both the LFA and the executive assume that Burlington Northern will continue its tax protest in fiscal years 1988 and 1989. The removal of Burlington Northern's protested taxes represents an annual reduction of \$2 million in collections on the 45 mill levy.

The LFA biennial estimates for county miscellaneous and district revenues exceed the executive estimates by \$7.9 million. Part of this difference is explained by differing assumptions about funding the local government block grant. (See Issue 3.) For the 1989 biennium, the LFA estimate of district revenues is \$4.36 million higher despite the lower LFA projection of statewide valuation. The LFA estimate assumes that more counties, particularly those dependent on oil and gas revenues, will levy the full 10 mills allowed under the elementary and secondary permissive programs.

ISSUE 5: FUNDING OF THE LOCAL GOVERNMENT BLOCK GRANT

The LFA estimate assumes a fully-funded block grant, totaling \$17.97 million in fiscal 1988 and \$18.36 million in fiscal 1989. The executive budget assumes that the local government block grant will be funded at \$8.836 million in fiscal 1988 and \$9.414 million in fiscal 1989, with no general fund additions. The differences in these assumptions account for a \$2.43 million difference in foundation program funding estimates over the blennium.

PUBLIC SCHOOL FOUNDATION PROGRAM

The public school foundation program is designed to meet the constitutional mandate (Article X, Section 1, Montana Constitution) that "the legislature shall provide a basic system of free quality public elementary and secondary schools." Program funding is provided through state and county equalization aid, district levies and general fund. The primary revenue source for county equalization aid is the property tax levy of 45 mills statewide. School districts may, without a vote, levy an additional 6 mills for elementary schools and 4 mills for high schools. These revenues are referred to as the district share of the permissive program. State equalization aid comes from six dedicated sources. General fund is added to the extent that county and state equalization aid does not cover the formula-driven costs of the foundation program.

Enrollment

Total budgeted expenditures for the foundation and permissive program are dependent upon enrollment fluctuations and the legislatively-approved, cost-per-student schedule. Projections from the Office of Public Instruction are for enrollment to increase in each year of the 1989 biennium. Table 1 shows actual and projected enrollments.

Table 1
Public School Enrollment (ANB)
Fiscal Years 1984 - 1989

<u>Fiscal Year</u>	<u>Elementary</u>	<u>Secondary</u>	<u>Total</u>	<u>% Change</u>
1984	104,152	46,533	150,685	---
1985	104,795	46,451	151,246	.37
1986	105,078	46,479	151,557	.21
----- Projected -----				
1987	104,010	46,717	150,727	(.55)
1988	105,267	46,539	151,806	.72
1989	107,139	45,453	152,592	.52

Current Level Cost per Student

The second determinant of the foundation program cost is the schedule increase per student. The total cost of the foundation program is calculated by multiplying the cost per student by the average number belonging (ANB) in each district. Table 2 summarizes the schedule changes in the public school foundation program.

Table 2
Percent Increases in Public School Funding Schedules
Fiscal Years 1984 - 1989

<u>Fiscal Year</u>	<u>Percent Increase in Statutory Schedules</u>
1984	4
1985	3
1986	4
1987	1
----- Current Level -----	
1988	0
1989	0

The current level projection is calculated by applying to school district budgets the inflation factors applied to all state agencies. It reflects the increased cost of providing the same services on a per student basis. Salaries, which comprise 72.6 percent of school district general fund expenditures, and benefits (5.4 percent) were assumed to remain at their fiscal 1987 level in the current level analysis. On this basis, a current level budget would require a 0.3 percent increase in fiscal 1988 and a 0.2 percent increase in fiscal 1989. Historically, the legislature has rounded to a whole percentage change, which in the 1989 biennium would be zero.

Table 3 shows the Legislative Fiscal Analyst estimates for revenue and expenditures in the school foundation program. The estimates are based upon current law and no increase in the public school funding schedule in fiscal years 1988 and 1989.

Table 3
Estimates of Public School Funding
Fiscal Years 1987 - 1989
(Millions)

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Balance	\$ 1.194	\$ -0-	\$ -0-
<u>State Equalization</u>			
25% Individual Income Tax	\$ 46.703	\$ 49.891	\$ 58.011
25% Corporate License Tax	11.256	12.339	14.620
Coal Severance Tax	10.008	2.455	2.576
Interest and Income	33.887	33.126	34.242
U.S. Mineral Royalties	16.066	16.679	17.709
Education Trust Interest (67.5%)	6.980	6.366	6.780
Total State Equalization	\$124.900	\$120.856	\$133.938
<u>County Equalization</u>			
45 Mill Levy	\$101.685	\$ 86.011	\$ 87.449
Miscellaneous	10.617	8.617	9.951
Forest Funds	1.226	1.226	1.226
Grazing Funds	.122	.122	.122
Elem. Transportation	(3.788)	(3.788)	(3.788)
High School Tuition	(.761)	(.761)	(.761)
Total County Equalization	\$109.101	\$ 91.427	\$ 94.199
District Share of Permissive	\$ 18.432	\$ 18.158	\$ 18.461
Total Non-General Fund	\$253.627	\$230.441	\$246.598
Less Formula-Driven Costs	283.320	285.360	286.843
General Fund Required	\$ <u>29.693</u>	\$ <u>54.919</u>	\$ <u>40.245</u>

State Equalization

The Public School Foundation Program receives funding from individual income, corporate license and coal severance taxes. The basis for these revenue estimates is discussed in the General Fund Revenue section of this book.

The common school interest and income account receives revenue from resource development on state lands. Rents paid on agricultural, grazing and mineral leases provide direct income to the public school foundation program. Royalty payments on mineral and timber development are deposited to the unexpendable common school trust fund. Ninety-five percent of the earnings on the common school trust are distributed to the public schools. Five percent is reinvested in the trust fund.

Revenues from agricultural and grazing leases hit an eight year low in fiscal 1986 as result of the drought of 1985. Expectations are for these revenues to return to a more normal level in fiscal years 1987-1989. Revenues from oil and gas leases

have dropped dramatically since December 1985. Along with oil price declines, acreage under lease and bonus payments on new leases have fallen. Royalties paid on oil and gas production are projected to decline by 50 percent in fiscal 1987 and increase by 15 percent in fiscal 1988 and 13 percent in fiscal 1989. Royalties on coal leases will increase because one state coal lease was renewed in 1986 at a higher royalty rate. Revenues from timber sales are projected to rise in the 1987 biennium due to an increase in the timber harvest.

In fiscal 1986, the \$22.6 million earned on the common school trust fund comprised 57 percent of the revenue to the common school income and interest account. The investable balance in the trust at fiscal 1986 year end was \$171.7 million. The yield on the beginning balance is projected to be 11.5 percent in fiscal 1987 with new investments earning 9.5 percent. New investments in fiscal years 1988 and 1989 are projected to earn 10.25 and 10.58 percent, respectively.

The State of Montana receives one-half of the rents and royalties paid on federal mineral leases. These revenues are directly related to the value of oil, natural gas, and coal production. Projections for mineral royalties are consistent with the forecasts used to project oil, natural gas, and coal severance tax collections. In the June 1986 special session, the legislature allocated all U.S. mineral royalty revenues to the foundation program.

The foundation program receives 67.5 percent of the interest earnings from the education trust fund. The level of earnings on the trust is determined by the coal severance tax deposit to the trust and the yield on investments. The trust fund will not receive any coal tax monies in fiscal 1987, but will receive 7.6 percent of coal tax funds in fiscal years 1988 and 1989. New monies will be invested at lower, current interest rates so the long-term yield on the trust will continue to fall throughout the 1989 biennium. Earnings decline from fiscal years 1987 to 1988 because premiums on bond calls, which have been a significant source of revenues in the 1987 biennium, are projected to subside by the end of fiscal 1987. Interest earnings rise in fiscal 1989 because the growth in the principal of the trust fund offsets the decline in the long-term yield.

County Equalization

The value of the 45 mill property tax levy decreased by 2.6 percent from fiscal 1986 to fiscal 1987. The three most significant changes were a \$63.2 million decline in net and gross proceeds, a reduction in the value of farm machinery resulting from a statutory change (Senate Bill 234, L.1985), and an \$48 million increase in the taxable value of railroad property statewide.

Changes in the value of net and gross proceeds will be the predominant factor determining the level of property tax collections in fiscal 1988 and 1989. The taxable value of net and gross proceeds in tax year 1987 (fiscal 1988 collections) will be derived from the value of mineral production in calendar 1986. The value of net proceeds (oil, natural gas, and miscellaneous minerals) is forecast to fall by 64 percent from calendar 1985 to 1986. This decline in the value of net proceeds will be greater than the percentage decline in the market value of production. The percentage of net proceeds, defined as gross value less extraction costs, has fallen per barrel because producers have not been able to reduce costs in proportion to the decline in prices. In calendar 1987, a slight increase in oil prices is projected, causing an 8.4 percent increase in the value of net proceeds. Gross proceeds are forecast to fall by 13 percent in calendar 1986 and by another 10.5 percent in

calendar 1987. Other changes in property values will be relatively small compared to the declines forecasted for net and gross proceeds, which in tax year 1986 represent 42 percent of total statewide taxable value.

Other county equalization funds come from federal forest and grazing funds, which are payments in lieu of taxes, and miscellaneous revenues. Miscellaneous revenues include motor vehicle fees, cash reappropriated, a portion of the corporate license tax paid by financial institutions, and the local government block grant. The projections in Table 3 are based on a fully-funded local government block grant program in fiscal years 1988 and 1989.

General Fund Requirements

A general fund supplemental of \$1.8 million will be necessary in to meet public school foundation costs in fiscal 1987. As Table 3 shows, foundation program costs exceed projections of available non-general fund by \$29.7 million. The 1985 legislature appropriated \$32.56 million to public schools for the 1987 biennium, of which \$4.65 million was expended in fiscal 1986. General fund expenditure authority carried forward to fiscal 1987 is \$27.9 million. The difference between program costs and funds available will have to be met through a general fund supplemental.

Using LFA projections, which are based upon current law and no increase in the foundation program schedule, additional revenues of \$95.2 million will be necessary to meet foundation program costs in the 1989 biennium. For each 1 percent annual increase in the foundation program schedule, costs increase by approximately \$ 8.6 million over the biennium. Any increases would have to be met with general fund revenues or an alternative funding source.

General Fund Impact of Alternative Funding Schedules

The previous discussion of general fund requirements for the public school foundation program assumed no increase in the funding schedule per student. Table 5 presents the level of general fund that would be required to fund alternative schedule increases, given non-general fund revenues of \$477.0 million for the 1989 biennium. For example, a 1 percent increase in the funding schedule for each year of the biennium would require general fund of \$103.78 million, an increase of \$8.62 million over the \$95.16 million required to fund a 0-0 schedule increase.

Table 4
General Fund Impact of Alternative Public School Funding Schedules
1989 Biennium
(Millions)

Increase Fiscal 1988	Increase in Fiscal 1989				
	0%	1%	2%	3%	4%
0%	\$ 95.16	\$ 98.03	\$ 100.90	\$103.77	\$106.64
1%	100.89	103.78	106.68	109.58	112.47
2%	106.61	109.53	112.46	115.39	118.31
3%	112.33	115.28	118.24	121.19	124.15
4%	118.05	121.04	124.02	127.00	129.98

Local Government Block Grant

The LFA budget is built on the assumption that the local government block grant will be funded at \$17.97 million in fiscal 1988 and at \$18.36 million in fiscal 1989. These figures represent the revenue foregone by the counties when the legislature switched from an ad valorem tax to a fee system for motor vehicles. In fiscal 1987, the legislature chose to partially fund the local government block grant program. If the legislature chooses to partially fund the program again in fiscal years 1988 and 1989, revenues to the foundation program will be reduced. Foundation program estimates are based on the assumption that public schools receive 13.44 percent of the local government block grant revenues. To the extent that the block grant is reduced from the estimates of a fully funded program, the public schools will share 13.44 percent of the reduction.

INFLATION IN AGENCY BUDGETS

The LFA current level budget does not include funding to compensate for inflationary cost increases in either operating expenses or benefit payments. To recognize inflation in these costs would require additional funding of \$75.2 million. That total includes \$18.5 million of general fund and \$56.7 million of other funds.

The remainder of this section discusses inflation factors applied to operating expenses and benefit payments.

Inflation Factors Used in Agency Budgets

For most categories of operating expenditures, agency budgets projected by this office for the 1989 biennium contain no allowance to compensate for inflation. Fiscal 1986 base expenditures in several categories were adjusted with inflation factors to project costs for the goods and services in fiscal years 1988 and 1989. Table 1 shows the inflation factors used in our budget analysis.

Table 1
Budget Analysis Inflation Factors
Percent Change

Category	FY 1987	FY 1988	FY 1989
Computer Processing/D of A	0.0	(3.5)	(3.4)
Gasoline	(11.6)	5.2	7.6
Medical Supplies and Drugs	6.2	7.5	9.4
Food	3.1	4.6	4.7
Telephone Equip. Maintenance	1.9	3.2	5.1
Off Premises Extensions	6.0	6.0	6.0
Local Voice Circuits	6.0	6.0	6.0
Local Data Circuits	6.0	6.0	6.0
Credit Card Calls	5.0	5.0	5.0
Rent/D of A Buildings	(1.0)	10.7	3.4
Electricity	7.4	11.5	15.6
Natural Gas	(3.0)	5.0	3.0
Other Operating Expenses	0.0	0.0	0.0

To derive projected costs, fiscal 1986 base level expenditures were inflated by the factors shown in Table 1 for each year. For example, \$100 spent on electricity in fiscal 1986 was inflated to a fiscal 1988 cost of \$120 and a fiscal 1989 cost of \$138. Most expenditures made by state agencies belong in "other operating expenses" which were not inflated.

The inflation factors in Table 1 were obtained from the Office of Budget and Program Planning in October 1986. In its budget the executive made some modifications to these factors with the largest differences in gasoline, food, and communications.

Our analysis indicates that the inflation factors shown in Table 1 underestimate current inflationary expectations for "other operating expenses." In contrast, the inflation factors shown in Table 2 reflect the adjustments we believe would have to be made to compensate for the impact of inflation in operating expenditures.

Table 2
LFA Inflation Factors
Percent Change

<u>Category</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Payroll Service Fees	0.0	0.0	0.0
Computer Processing/D of A	0.0	(3.5)	(3.4)
Gas, Fuel Oil, Oil, Road Oil, Oil Mixed Materials	(11.6)	5.2	7.6
Telephone Equipment Chgs./D of A	(9.0)	9.9	5.0
Off Premise Extension	6.0	6.0	6.0
Local Voice Circuits	6.0	6.0	6.0
Long Distance Voice Circuits	0.0	0.0	0.0
Local Data Circuits	6.0	6.0	6.0
Long Distance Data circuits	0.0	0.0	0.0
Long Distance Chg/D of A	0.0	0.0	0.0
Long Distance Chg/non D of A, Credit Card Calls	0.0	0.0	0.0
Travel/Meals and Lodging	0.0	0.0	0.0
Rent/D of A Buildings	(1.0)	2.7	2.7
Electricity	7.8	11.1	15.2
Natural Gas	(3.3)	5.3	3.0
Other Operating Expenses	4.5	4.5	4.5

Several methods were employed to develop the inflation factors shown in Table 2. In some cases, such as petroleum products, we used the rate of price change forecast by Wharton Econometrics. For communications, electricity and natural gas, Montana-specific forecasts were developed from information supplied by the utility companies, the Department of Administration, and the Public Service Commission.

The major difference between the inflation factors used in our budget analysis (those shown in Table 1) and those in Table 2 is in the other operating expenses category. Here the budget analysis allows for no general price increases during the forecast period over the fiscal 1986 level. In contrast, inflation in those categories not treated separately is expected to average 4.5 percent according to Wharton's forecasts. If inflation does occur during the forecast period, using the inflation factors for other operating expenses incorporated in the budget analysis will underfund agencies relative to the current costs of maintaining base level services.

To fund agency operating expenditures using the inflation factors in Table 2 in place of those in our budget analysis would add \$57.4 million to budgeted expenditures. Of that total, \$11.3 million is general fund and \$46.1 million is other funding sources.

Benefit Payments

In the LFA current level budget for the Department of Social and Rehabilitation Services, benefit payment rates to providers were maintained at the current level. To increase rates by 4.5 percent annually to compensate for projected inflation would increase the 1989 biennium budget by \$17.8 million. Of that total, \$7.1 million is general fund and \$10.6 million is federal. Table 3 shows total costs by benefit type and funding source.

Table 3
Benefit Cost Increase to Compensate for Inflation
1989 Biennium
(Millions)

<u>Benefit</u>	<u>General Fund</u>	<u>Federal Funds</u>	<u>Total Funds</u>
Medicaid-Nursing Homes	\$1.83	\$4.33	\$6.16
Primary Care	2.42	5.74	8.16
Developmental Disabilities	2.15	0.23	2.38
Other	<u>0.73</u>	<u>0.33</u>	<u>1.06</u>
Total	<u>\$7.13</u>	<u>\$10.63</u>	<u>\$17.76</u>

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EXECUTIVE PAY PLAN PROPOSAL

In accordance with Section 17-7-111(3), MCA, the budget director has submitted pay plan schedules proposed for executive branch employees for the 1989 biennium. That proposal calls for retaining the fiscal 1987 pay schedules for fiscal years 1988 and 1989. Except for movement from step 1 to step 2 on the statewide matrix, state employees would remain at the step they occupy on June 30, 1987. Thus, an employee in a position classified as grade 13, step 7 on the statewide matrix would continue to earn \$23,108 annually including the state's insurance contribution of \$1,380 per year. Positions classified as grade 13 include psychiatric nurse I, revenue agent I, and social worker III.

Because agency budgets include personal services costs sufficient to fund state employee compensation at the fiscal 1987 year-end level, there is no additional appropriation required to finance the pay freeze proposed by the executive. Increasing employee compensation, including the state's contribution for group insurance benefits, by 1 percent each year of the 1989 biennium would cost \$10.4 million. Of that total, \$6.2 million is general fund, while the remaining \$4.2 million comes from other funding sources. Pay plan increases of 4 percent annually would cost \$41.6 million, with \$24.8 million from the general fund and \$16.8 million from other sources.

The executive budget proposes reducing the employers' and employees' contributions to the Public Employees Retirement System (PERS). Following the executive proposal would reduce each contribution rate to 5 percent of the employee's salary from the current 6.417 percent employers' contribution and 6.00 percent employees' contribution. Over the 1989 biennium, the change would decrease general fund personal service costs by \$2.3 million according to the executive. The executive proposes no changes for other retirement systems.

According to the actuarial valuation of PERS as of July 1, 1986:

In order to maintain the fund on an actuarially sound basis, the rate of contribution should be such as to meet the normal cost in addition to making progress towards amortization of the unfunded liability.

The actuary determined that a total contribution of 9.557 percent of members' salaries is required to fund PERS benefits as they accrue in the future. The executive proposed 10 percent total contribution exceeds the normal cost of 9.557 percent, providing 0.443 percent for amortization of the \$275.2 million unfunded liability. Thus, reducing the PERS contribution to 5 percent for both the employer and employee would maintain the fund on an actuarially sound basis.

GENERAL FUND SUPPLEMENTAL REQUESTS IN EXECUTIVE BUDGET

The Governor's executive budget recommended the funding of \$12.8 million in general fund supplemental appropriations for fiscal 1987. Of the total supplemental appropriation recommended, \$8.8 million or 69 percent is for the Department of Social and Rehabilitation Services. The executive also requests \$2.5 million to fund the Department of Institutions. The executive's recommendation is detailed in the following table.

Table 1
General Fund Supplemental Appropriations Recommended in Executive Budget

<u>Agency/Purpose</u>	<u>Amount</u>
Commissioner of Political Practices	\$ 2,500
Office of Public Instruction	
Foundation Lawsuit	200,000
Title IX Lawsuit	100,000
Justice	
County Attorney Payroll	50,000
Board of Public Education	
Legal Fee Expenditure	7,525
Board of Regents	
Per Diem for Board Members	4,500
Health and Environmental Sciences	
Certificate of Need Law	35,713
State Lands	
Caretaker Services and Utilities	11,800
Fire Expenses	557,462
Revenue	
Litigation	74,734
Administration	
Reappraisals	315,641
Manual Disparity	33,750
Institutions	
Corrections Medical	650,000
Unpaid Workers Comp Liability	1,529,337
Prison Lawsuit	351,291
Workers' Compensation	
Soc. Sec. Offset Court Case	20,702
Social and Rehabilitation Services	
Foster Care	1,612,933
Asst. Payments AFDC	2,103,604
Asst. Payments Day Care	45,391
General Assistance	508,834
Transient Assistance	150,000
Med. Asst. Primary Care FY 86	1,044,214
Med. Asst. Primary Care FY 87	2,421,875
State Medical	947,172
Total	<u><u>\$12,778,978</u></u>

COMPARISON OF FULL-TIME EQUIVALENT (FTE) POSITIONS BY AGENCY

Agency	- - - - - Fiscal 1988 - - - - -			- - - - - Fiscal 1989 - - - - -		
	Executive	LFA	Difference	Executive	LFA	Difference
Administration	411.59	406.09	5.50	413.09	410.09	3.00
Agriculture	86.67	83.48	3.19	86.67	83.48	3.19
Arts Council	7.47	4.00	3.47	7.47	4.00	3.47
Auditor, State	56.50	60.50	(4.00)	56.50	60.50	(4.00)
Commerce	320.10	263.25	56.85	321.10	263.25	57.85
Deaf and Blind School	85.63	85.63	-0-	85.63	85.63	-0-
Fire Service Training	5.00	5.00	-0-	5.00	5.00	-0-
Fish Wildlife and Parks	495.76	490.51	5.25	496.51	490.51	6.00
Governor's Office	61.40	62.40	(1.00)	61.90	62.90	(1.00)
Health and Environ Sc	245.50	227.25	18.25	245.25	227.25	18.00
Highways	1,869.64	1,834.07	35.57	1,863.64	1,828.07	35.57
Historical Society	47.38	49.05	(1.67)	47.38	49.05	(1.67)
Institutions*	2,183.01	2,181.33	1.68	2,197.96	2,181.33	16.63
Justice	545.33	529.50	15.83	545.33	529.50	15.83
Labor and Industry	793.90	779.40	14.50	793.90	779.40	14.50
Lands	300.73	284.33	16.40	307.88	293.30	14.58
Legislative Agencies	132.00	132.25	(0.25)	146.00	146.25	(0.25)
Library Commision	27.50	27.50	-0-	27.50	27.50	-0-
Livestock	114.61	108.71	5.90	114.61	108.71	5.90
Military Affairs	95.50	78.00	17.50	95.50	78.00	17.50
Nat Resources and Conser	253.42	232.59	20.83	255.42	234.59	20.83
Political Practices Com	4.75	3.75	1.00	4.75	3.75	1.00
Public Education, Bd of	2.00	2.00	-0-	2.00	2.00	-0-
Public Service Reg	45.00	46.00	(1.00)	45.00	46.00	(1.00)
Revenue	854.17	710.67	143.50	838.97	710.67	128.30
Secretary of State	28.50	28.50	-0-	28.50	28.50	-0-
Social and Rehab Serv*	1,107.38	1,083.99	23.39	1,107.89	1,083.99	23.90
Supt of Public Instr	129.60	125.85	3.75	129.60	125.85	3.75
Supreme Court	90.50	89.00	1.50	87.00	85.50	1.50
University System	2,983.48	2,828.66	159.82	2,983.48	2,835.27	148.21
Vo Ed Advisory Council	2.00	2.00	-0-	2.00	2.00	-0-
Vo-Tech Centers	241.69	231.89	9.80	241.69	231.89	9.80
Total	<u>13,627.71</u>	<u>13,077.15</u>	<u>550.56</u>	<u>13,645.12</u>	<u>13,103.73</u>	<u>541.39</u>

* Executive FTE are allocated according to current law and do not reflect implementation of the executive proposed new Department of Family and Youth Services.

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

Legislative, Judicial, and Administrative	-----Fiscal 1988-----			-----Fiscal 1989-----			1989 Biennium Executive Over (Under) LFA
	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Budget	LFA Current Level	Executive Over (Under) LFA	
Legislative Auditor	\$1,217,733	\$1,083,728	\$134,005	\$1,209,495	\$1,075,344	\$134,151	\$268,156
Legislative Council	2,277,136	2,264,469	12,667	2,332,753	2,320,178	12,575	25,242
Legislative Fiscal Analyst	732,811	732,811	0	783,548	783,548	0	0
Environ. Quality Council	241,033	267,515	(26,482)	237,442	237,314	128	(26,354)
Governor's Office	2,228,172	2,136,569	91,603	2,255,439	2,123,341	132,098	223,701
State Auditor	881,340	811,169	70,171	832,328	768,085	64,243	134,414
Secretary of State	768,950	763,721	5,229	770,088	765,864	4,224	9,453
Comm. of Pol. Practices	150,839	120,767	30,072	146,497	117,733	28,764	58,836
Judiciary	4,281,842	4,165,759	116,083	4,183,035	4,039,023	144,012	260,095
Administration	4,104,965	3,750,838	354,127	4,010,101	3,758,861	259,263	613,390
Justice	5,988,640	6,146,387	(157,747)	5,877,601	6,008,172	(268,786)	(426,533)
Crime Control	468,260	482,240	(13,980)	459,290	473,327	(14,037)	(28,017)
Revenue	17,809,800	16,922,119	887,681	17,894,043	16,800,616	1,093,427	1,981,108
Total LJA	\$41,151,521 =====	\$39,648,092 =====	\$1,503,429 =====	\$40,991,660 =====	\$39,271,406 =====	\$1,590,062 =====	\$3,093,491 =====
Human Services							
Workers Compensation	\$657,444	\$658,103	(\$659)	\$632,029	\$632,687	(\$658)	(\$1,317)
Employment Services	1,073,604	943,553	130,051	1,071,901	926,939	144,962	275,013
Health and Environ. Sci.	3,751,227	3,506,769	244,458	3,712,500	3,450,634	261,866	506,324
Military Affairs	1,836,982	1,816,084	20,898	1,818,031	1,831,154	(13,123)	7,775
Social & Rehab. Services	70,252,325	80,686,364	(10,434,039)	71,089,616	80,370,875	(9,281,259)	(19,715,298)
Family Services	20,307,588	0	20,307,588	20,317,806	0	20,317,806	40,625,394
Total Human Services	\$97,879,170 =====	\$87,610,873 =====	\$10,268,297 =====	\$98,641,893 =====	\$87,212,289 =====	\$11,429,594 =====	\$21,697,891 =====

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

Natural Resources & Bus.	-----Fiscal 1988-----		-----Fiscal 1989-----		1989 Biennium Executive Over (Under) LFA
	Executive Budget	LFA Current Level	Executive Budget	LFA Current Level	
Public Service Reg.	\$0	\$1,663,821	\$0	\$1,685,749	(\$3,349,570)
Livestock	654,923	645,372	658,538	648,210	19,879
Agriculture	1,727,976	1,401,849	1,708,478	1,368,532	666,073
State Lands	7,120,793	7,288,180	7,055,630	7,171,398	(283,155)
Natural Resources	4,689,163	5,107,248	4,758,348	5,091,681	(751,418)
Commerce	7,714,326	17,986,472	7,728,981	18,392,534	(20,935,699)
Total Natural Resources and Business	\$21,907,181	\$34,092,942	\$21,909,975	\$34,358,104	(\$24,633,890)
Institutions and Cult. Education	=====	=====	=====	=====	=====
Dept. of Institutions	\$10,883,707	\$11,359,332	\$10,845,052	\$11,156,347	(\$786,920)
MT Dev. Center	11,626,582	11,912,340	11,783,961	12,046,479	(548,276)
Center for the Aged	2,656,825	2,675,501	2,664,768	2,662,814	(16,722)
Eastmont Training Center	2,205,967	2,231,954	2,206,861	2,246,860	(65,986)
MT State Hospital	19,543,442	19,156,088	19,840,723	19,156,010	1,072,067
Mountain View School	0	1,628,991	0	1,644,386	(3,273,377)
Pine Hills School	0	2,728,291	0	2,761,537	(5,489,828)
State Prison	12,756,670	12,295,262	12,963,206	12,469,354	955,260
Swan River	837,161	829,149	834,171	838,932	3,251
Veteran's Home	565,551	514,140	579,282	532,652	98,041
Board of Pardons	155,048	158,195	152,688	158,197	(8,656)
Library Commission	530,180	551,839	502,717	526,115	(45,057)
Historical Society	1,120,370	1,142,944	1,114,206	1,133,781	(42,149)
Arts Council	117,403	114,548	112,585	94,496	20,944
Total Institutions and Cult. Education	\$62,998,906	\$67,298,574	\$63,600,220	\$67,427,960	(\$8,127,408)
	=====	=====	=====	=====	=====

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

Education	-----Fiscal 1988-----		-----Fiscal 1989-----		1989 Biennium Executive Over (Under) LFA
	Executive Budget	LFA Current Level	Executive Budget	LFA Current Level	
Bd. of Public Education	\$103,696	\$106,681	\$101,311	\$104,202	(\$5,876)
Sup. of Public Inst.					
Operating	2,230,454	2,266,782	2,195,394	2,236,655	(77,589)
Special Education	27,761,646	27,761,646	27,761,646	27,761,646	0
School Lunch	622,250	594,751	622,250	594,751	54,998
Transportation	5,781,000	6,200,918	5,781,000	6,200,918	(839,836)
Gifted & Talented	95,000	95,000	95,000	95,000	0
Secondary Vo-ed.	400,000	450,000	400,000	450,000	(100,000)
Impact Aid	5,000	5,000	5,000	5,000	0
Public School Support	42,476,000	54,919,000	34,626,000	40,245,000	(18,062,000)
Unexplained Difference	(578,474)	0	(577,474)	0	(1,155,948)
Vo-Tech Centers	3,961,733	4,374,971	3,806,145	3,952,739	(559,832)
School for the Deaf & Blind	2,539,844	2,451,667	2,525,961	2,427,208	186,930
Community Colleges	3,119,852	3,135,791	3,093,392	3,130,518	(53,065)
Comm. of Higher Educ.	3,133,564	3,096,284	3,107,446	2,937,883	206,843
Bureau of Mines	1,362,053	1,206,604	1,362,391	1,207,277	310,563
Ag. Exper. Station	6,108,294	5,861,686	6,130,088	5,913,853	462,843
Coop. Ext. Service	1,891,603	2,037,937	1,893,343	2,039,409	(292,400)
Board of Regents	177,486	26,551	27,541	26,608	151,868
Six Units	68,812,061	67,354,191	68,686,478	67,663,929	2,480,419
Fire Services Training	200,547	199,214	199,462	199,440	1,355
Forestry Exp. Station	655,886	635,749	657,707	637,168	40,676
Total Education	\$170,859,495	\$182,780,423	\$162,500,081	\$167,829,204	(\$5,329,123)
	=====	=====	=====	=====	=====

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY

Summary	Fiscal 1988			Fiscal 1989			1989 Biennium Executive Over (Under) LFA
	Executive Budget	LFA Current Level	Executive Over (Under) LFA	Executive Budget	LFA Current Level	Executive Over (Under) LFA	
Legislative, Judicial, and Administrative	\$41,151,521	\$39,648,092	\$1,503,429	\$40,991,660	\$39,271,406	\$1,590,062	\$3,093,491
Human Services	97,879,170	87,610,873	10,268,297	98,641,883	87,212,289	11,429,594	21,697,891
Natural Resources and Business	21,907,181	34,092,942	(12,185,761)	21,909,975	34,358,104	(12,448,129)	(24,633,890)
Institutions and Cult. Education	62,998,906	67,298,574	(4,299,668)	63,600,220	67,427,960	(3,827,740)	(8,127,408)
Education	170,859,495	182,780,423	(11,920,928)	162,500,081	167,829,204	(5,329,123)	(17,250,051)
Total	\$394,796,273	\$411,430,904	(\$16,634,631)	\$387,643,819	\$396,098,963	(\$8,585,336)	(\$25,219,967)
Other							
Debt Service	13,775,266	14,757,000	(981,734)	14,127,615	15,221,000	(1,093,385)	(2,075,119)
Workers Comp Costs	941,000	941,000	0	1,117,000	1,117,000	0	0
Pool for Elected Officials	100,000	0	100,000	0	0	0	100,000
PERS Savings	(1,143,000)	0	(1,143,000)	(1,166,000)	0	(1,166,000)	(2,309,000)
1989 Session Feed Bill	0	0	0	4,400,000	4,335,000	65,000	65,000
Reversions	(6,500,000)	(6,484,519)	(15,481)	(6,500,000)	(6,458,769)	(41,231)	(56,712)
Total	\$401,969,539	\$420,644,385	(\$18,674,846)	\$399,622,434	\$410,313,194	(\$10,820,952)	(\$29,495,798)

LONG RANGE BUILDING PROGRAM

The Long-Range Building Program (LRBP) includes the appropriations for planning, major maintenance, and construction of state buildings. The building program is supervised by the Architecture and Engineering Division of the Department of Administration.

Long-range building projects are funded from the capital projects cash account, state and federal special revenue funds, and the sale of general obligation bonds. The capital projects cash account receives supervisory fees, 20.25 percent of cigarette tax collections, and interest earnings on the investment of the balances in the cash account and the 1981 and 1983 bond series accounts. A 1 percent supervisory fee is paid to the Architecture and Engineering Division for supervision of building projects that are funded from other than the cash account.

Funds available for appropriation in the 1989 biennium are projected to total \$6,920,169, of which \$1,101,022 is recommended to fund the operations of the Architecture and Engineering Division. The remaining funds available for capital projects in the 1989 biennium are \$5,819,147. Table 1 shows projected revenues to and expenditures from the LRBP capital projects cash account.

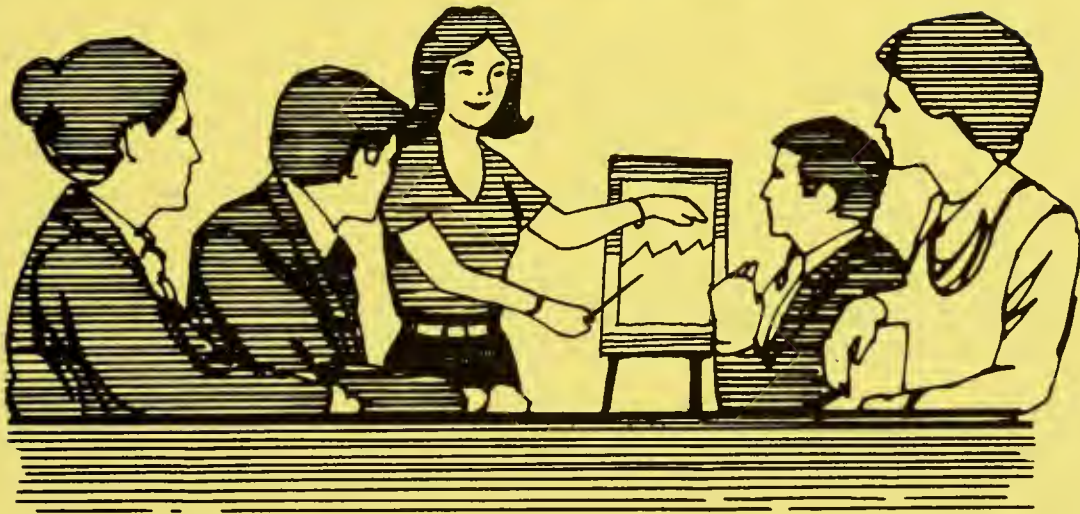
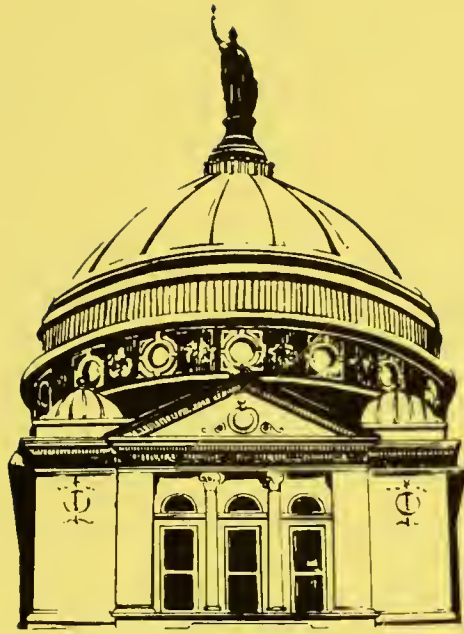
Table 1
Capital Projects Fund
1989 Biennium

Estimated Beginning Cash Balance		\$ 2,003,204
Revenues		
20.25% of Cigarette Tax	\$3,998,400	
Interest Earnings	798,565	
Supervisory Fees	120,000	
Total Revenues		<u>\$ 4,916,965</u>
Funds Available in the 1987 Biennium		\$ 6,920,169
Expenditures		
Architecture and Engineering Operating Expenses		<u>\$ 1,101,022</u>
Funds Available for Capital Projects		<u><u>\$ 5,819,147</u></u>

The executive budget proposes the expenditure of \$14.6 million for capital construction projects in the 1989 biennium. The proposed funding sources include the capital projects fund, state and federal special revenues, and other funds, including oil overcharge monies. No bonded program is proposed. Within the \$14.6 million request, the executive budget proposes \$6,218,147 of capital project fund expenditures, which is \$399,000 greater than the estimate of funds available. State special revenues are used to fund highway and fish, wildlife and parks projects. Federal funds are available for energy retrofit, job service, military affairs and fishing access projects.

The Department of Fish, Wildlife and Parks has two accounts for which the capital requests exceed the estimated funds available for appropriation. The \$650,000 capital request for improving waterfowl habitat exceeds the estimate of funds available in the waterfowl stamps account by \$171,632, and the \$400,000 request to develop department property exceeds the estimate of funds available in the real estate trust earnings account by \$9,418.

An additional source of revenue for capital projects is capitol land grant funds. Section 18-2-107, MCA, restricts the use of these funds to "constructing capitol buildings or additions thereto." In the 1987 biennium, capitol land grant funds are appropriated to retire the debt on capitol renovation bonds. With the cancellation of the capitol renovation project and the transfer of those bond proceeds to the general fund, capitol land grant funds will not be used for retiring the capitol renovation bonds after fiscal 1987. Therefore, approximately \$500,000 would be available annually for appropriation in the capitol land grant account.



LEGISLATIVE, JUDICIAL & ADMINISTRATIVE

	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
<u>Budget Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	60.00	60.00	60.00	60.00	0.00
Personal Service	\$1,627,870	\$1,681,838	\$1,778,515	\$1,779,247	7.5
Operating Expense	302,314	290,623	305,303	292,655	0.8
Equipment	<u>30,592</u>	<u>35,165</u>	<u>37,150</u>	<u>28,682</u>	<u>0.1</u>
Total Expenditures	<u>\$1,960,776</u>	<u>\$2,007,626</u>	<u>\$2,120,968</u>	<u>\$2,100,584</u>	<u>6.4</u>

Fund Sources

General Fund	\$1,094,233	\$1,068,819	\$1,083,728	\$1,075,344	(0.2)
State Special	<u>866,543</u>	<u>938,807</u>	<u>1,037,240</u>	<u>1,025,240</u>	<u>14.2</u>
Total Funds	<u>\$1,960,776</u>	<u>\$2,007,626</u>	<u>\$2,120,968</u>	<u>\$2,100,584</u>	<u>6.4</u>

	- - - - - Fiscal 1988 - - - - -		- - - - - Fiscal 1989 - - - - -	
<u>ISSUES:</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>
1. State Lottery Audits	\$ -0- =====	\$74,256 =====	\$ -0- =====	\$53,456 =====

The Office of the Legislative Auditor was established in 1967 and is governed by the Legislative Audit Act contained in Title 5, Chapter 13, MCA. Article V, Section 10 (4) of the Montana Constitution mandates a legislative post-audit function.

The agency is functionally divided into three areas: Administration, Financial-Compliance Auditing, and Performance - Electronic Data Processing (EDP) Auditing. The Financial-Compliance audit staff conducts biennial audits of all state agencies and a statewide annual financial audit. The performance audit staff conducts audits of state agencies to determine program effectiveness and efficiency, and compliance with established laws, rules, goals, and objectives. EDP auditing evaluates data processing controls as part of both financial-compliance and performance audits.

The goals in preparing the 1989 biennium budget were to: 1) request no biennial increase in general fund appropriations; 2) charge agencies the actual cost of their audits; and 3) maintain current level services by meeting state and federal audit requirements and by providing timely responses to an increasing number of legislative requests.

The 1989 biennium budget is based on a 0.2 percent general fund decrease, a 14.2 percent special revenue fund increase, and a 6.4 percent increase overall. The 1989 biennium budget is at current level. FTE remain unchanged between bienniums. Current level expenditures increase primarily due to unfunded legislative changes in the pay matrix, increases in insurance and other benefits, and increases in agency charges to the Legislative Auditor such as payroll processing charges and grounds

maintenance charges. The effort to charge agencies the actual cost of their audits resulted in a shift of costs to the state special revenue fund. This included adding nine audits to the line-item audit appropriations, billing statewide audit to the benefitting agencies and adjusting audit line-item appropriations to reflect the actual audit costs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	60.00	60.00	0.00
Personal Service	\$1,637,716	\$1,627,870	\$ 9,846
Operating Expense	358,267	302,314	55,953
Equipment	<u>30,557</u>	<u>30,592</u>	<u>(35)</u>
Total Expenditures	<u>\$2,026,540</u>	<u>\$1,960,776</u>	<u>\$65,764=</u>
<u>Funding</u>			
General Fund	\$1,125,538	\$1,094,233	\$31,305
State Special	<u>901,002</u>	<u>866,543</u>	<u>34,459</u>
Total Funds	<u>\$2,026,540</u>	<u>\$1,960,776</u>	<u>\$65,764=</u>

The reversion at fiscal year-end resulted primarily from savings recognized because: 1) contract audits costs of \$19,000 were paid directly by the Board of Housing rather than being billed against the legislative auditor's appropriation authority, and 2) contract audit costs for the three community college audits saved \$33,694.

Current Level Explanation

There are three sections to the current level explanation: personal services, operating expenses, and equipment.

A. FTE and Personal Services:

The following table shows the distribution of FTE and personal services for each biennium.

Table 2
Office of the Legislative Auditor
FTE and Personal Services

<u>Position</u>	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Director	1.00	1.00	1.00	1.00
Professional	53.00	54.00	54.00	54.00
Clerical	5.00	4.00	4.00	4.00
Audit Committee	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>	<u>1.00</u>
Total FTE	60.00 =====	60.00 =====	60.00 =====	60.00 =====
Regular Salary	\$1,359,304	\$1,401,971	\$1,473,827	\$1,471,261
Audit Committee	3,889	5,000	5,000	5,000
Benefits	<u>264,677</u>	<u>274,867</u>	<u>299,688</u>	<u>302,986</u>
Total Personal Services	\$1,627,870 =====	\$1,681,838 =====	\$1,778,515 =====	\$1,779,247 =====

The 1985 biennium FTE level of 65 was reduced by the 1985 legislature to 60. This reduction was accomplished during fiscal 1986 and required the layoff of one person and included converting one clerical position to a professional position. The personal services request reflects the legislative pay matrix increase. The agency took these actions in order to avoid layoffs after the June special session and recover the unfunded portion of the pay plan with the result that: 1) the automatic one step increase associated with the pay plan was not given; 2) the salaries of supervisory staff were frozen; and 3) travel restrictions were imposed on the staff. As travel savings are realized, the Legislative Audit Committee will be asked to transfer these funds to personal services.

The \$96,677 increase in personal service costs from fiscal 1987 to fiscal 1988 is composed of the following items: 1) the unfunded pay plan (\$59,401) and, 2) the full year impact of the step and longevity increases that were given for a portion of fiscal 1987 as the funds become available (\$37,276).

B. Operating Expenses:

The following changes reflect additional requests by other agencies: payroll processing fees were increased \$7,281, microcomputer support \$2,600, and capitol grounds maintenance \$3,044. Travel expenses are up \$24,824 from the current biennium to \$186,522 but are down \$45,983 from the 1985 biennium total of \$232,505. This decrease reflects a portion of the impact of travel restrictions placed on the audit staff in the current biennium. All other areas reflect current level expenditures and a net decrease of \$32,728 for the biennium.

C. Equipment:

Expenditures for fiscal 1986 included \$27,140 for microcomputer related items. The fiscal 1988 budget includes \$18,138 to convert existing word processors to equipment compatible with state supported software and equipment of other legislative branch agencies. This transition is necessary because the existing word processors are no longer supported by the manufacturer. Also included is the equipment to complete the long-range plan to automate the audit process.

Funding

Table 3 shows the revenue, expenditures, and fund balance for the state special revenue account.

Table 3
State Special Revenue Fund

	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Beginning Fund Balance	\$ 168,548	\$ 332,414	\$ 149,159	\$ 149,159
Budgeted Revenue	1,004,206	755,552	1,037,240	1,025,240
Non-budgeted Revenue	32,486	-0-	-0-	-0-
Prior Year Adjustment	<u>(5,436)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Funds Available	\$1,199,804	\$1,087,966	\$1,186,399	\$1,174,399
Expenditures	\$ 866,543	\$ 938,807	\$1,037,240	\$1,025,240
Prior Year Adjustment	<u>847</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Ending Fund Balance	<u>\$ 332,414</u>	<u>\$ 149,159</u>	<u>\$ 149,159</u>	<u>\$ 149,159</u>

Table 4 illustrates the effect of the budget goal to charge agencies the actual cost of their audits. Audit cost estimates remain the same as last biennium for six audits, decrease for 28 audits and increase for 27 audits. Audit estimates for the 12 institution-related audits have been combined with the central office audit estimate, resulting in one line-item for the 12 audits. This change provides the flexibility in the audit work necessary to keep from increasing the audit fees at the individual institutions. The total audit appropriation for the Department of Institutions decreased by \$12,670 after adjusting for the closure of the Youth Treatment Center. Nine audits not previously budgeted but required by law and paid for by the agencies are also included. The revenue for some of these nine audits is the non-budgeted revenue shown in the funding summary for fiscal 1986 (Table 3). The Montana statewide audit previously budgeted at 41 percent general fund is presented at 100 percent state special revenue fund for the 1989 biennium.

Table 4
Analysis of Changes in Special Revenue

Agency Audit	Biennium		Change
	1987	1989	
Administration	\$ 79,800	\$ 72,000	\$ (7,800)
SBAS (2 Audits)	10,500	18,000	7,500
IPF (2 Audits)	16,800	14,400	(2,400)
Investments (2 Audits)	59,000	72,000	13,000
PERD	27,300	30,000	2,700
TRD	19,740	18,000	(1,740)
Agriculture	19,950	20,400	450
Arts Council	8,400	10,800	2,400
Auditor's	16,800	19,200	2,400
Central Payroll (2 Audits)	14,700	18,000	3,300
Warrant Writer (2 Audits)	6,300	16,080	9,780
Commerce	63,000	62,400	(600)
Deaf and Blind	17,500	16,800	(700)
DNRC	21,000	28,800	7,800
FWP	46,200	48,000	1,800
Governor's Office	15,750	12,000	(3,750)
Approp. Ctr. Review (2 Audits)	14,000	16,800	2,800
Health	42,000	40,800	(1,200)
Highways	63,000	57,600	(5,400)
Historical Society	16,800	18,000	1,200
Justice	42,000	40,800	(1,200)
Judicial Branch	13,750	14,400	650
Labor and Industry	96,700	93,600	(3,100)
State Lands	25,200	30,000	4,800
Library	9,000	13,200	4,200
Livestock	14,700	16,080	1,380
Military Affairs	16,800	16,800	-0-
OPI	33,600	36,000	2,400
Public Education	2,520	2,400	(120)
Political Practices	1,680	1,920	240
Public Service Commission	11,550	12,480	930
Revenue	99,750	115,200	15,450
Secretary of State	10,000	10,800	800
SRS	115,500	115,200	(300)
Board of Regents/CHIE	9,500	13,440	3,940
Eastern Montana College	50,400	52,800	2,400
Montana State University	84,000	81,600	(2,400)
Northern Montana College	42,000	43,200	1,200
Montana Tech	48,000	54,000	6,000
Western Montana College	40,000	42,000	2,000
University of Montana	75,600	79,200	3,600
Vo-Ed Advisory	2,940	2,880	(60)
Vo-Tech Centers (5 Audits)	100,000	100,000	-0-
Institutions (12 Audits)	180,670	168,000	(12,670)
In Lieu of Taxes (2 Audits)	3,150	-0-	(3,150)
Board of Housing	\$ 38,500	\$ -0-	\$(38,500)
Community Colleges (3 Audits)	60,000	-0-	(60,000)
Subtotal	\$1,806,050	\$1,766,080	\$(39,970)
Unappropriated Audits			
Agricultural Loan (2 Audits)	\$ -0-	\$ 4,800	\$ 4,800
Health Facilities (2 Audits)	-0-	6,000	6,000
Econ. Dev. Board (2 Audits)	-0-	7,200	7,200
GSL (CHIE) (2 Audits)	-0-	4,800	4,800
Fire School	-0-	2,400	2,400
Subtotal	\$ -0-	\$ 25,200	\$ 25,200
Statewide Audit (2 Audits)	147,500	271,200	123,700
Total	\$1,953,550	\$2,062,480	\$108,930

ISSUE 1: LOTTERY

On November 4, 1986, the voters of Montana passed Legislative Referendum 100 providing for the establishment of a state lottery. The referendum provides that the Office of the Legislative Auditor shall:

1. witness all drawings;
2. examine lottery drawing equipment prior to and after each public drawing;
3. conduct an annual financial audit of the state lottery; and
4. conduct or have conducted a comprehensive performance audit of all aspects of security in the operation of the audit every two years beginning nine months after the first sale to the public.

In addition, the Legislative Auditor shall receive a report of any alleged violation of law. Based on the experience in other states with lotteries, a substantial increase in legislative requests related to the lottery should be anticipated.

Four categories of work are included: 1) witness drawing and inspection of equipment, 2) financial audit, 3) security audit, and 4) legislative requests. The following assumptions were used in preparing cost estimates: 1) mechanical drawing equipment is used, 2) weekly drawings are held, 3) drawings are held in Helena, and 4) adequate controls over revenue, ticket distribution, entries, validation process, prizes, and expenditures exist.

The requirements of the referendum are to be funded from the proceeds of the lottery. A modification in the Legislative Auditor's office special revenue fund is requested to pay audit costs associated with the lottery for personal services, contracted services, and travel. These costs are shown in Table 5.

Table 5
Lottery Audit Costs

<u>Item</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Witness Drawing and Examine Equipment	\$13,936	\$11,856
Financial Audit	41,600	36,400
Security Audit	13,520	-0-
Legislative Requests	<u>5,200</u>	<u>5,200</u>
Total	<u>\$74,256</u>	<u>\$53,456</u>

Option A: Appropriate \$74,256 in fiscal 1988 and \$53,456 in fiscal 1989 from the audit special revenue account for the lottery audit work.

Option B: Do not appropriate for the lottery audit.

LEGISLATIVE FISCAL ANALYST

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	17.50	18.00	17.50	18.00	0.00
Personal Service	\$530,601	\$585,579	\$604,905	\$612,936	9.1
Operating Expense	127,162	158,041	125,156	167,862	2.7
Equipment	81,647	12,834	2,750	2,750	(94.2)
Total Expenditures	<u>\$739,410</u>	<u>\$756,454</u>	<u>\$732,811</u>	<u>\$783,548</u>	<u>1.4</u>
<u>Fund Sources</u>					
General Fund	<u>\$739,410</u>	<u>\$756,454</u>	<u>\$732,811</u>	<u>\$783,548</u>	<u>1.4</u>

The Office of the Legislative Fiscal Analyst (LFA) was established in 1974 to provide concentrated fiscal analysis of state government and to accumulate, compile, analyze, and furnish such information that might bear upon financial matters of the state and that might be relevant to issues of policy and questions of statewide importance. Governing legislation is the Legislative Finance Act, Title 5, Chapter 12, MCA, which also established the Legislative Finance Committee.

The major functions of the LFA staff are conducting analyses of budget requests, agency operations, and revenue to provide the legislature with an independent analysis of the executive budget and the Executive branch's execution of legislative intent.

The budget increases 1.4 percent from the 1987 to the 1989 biennium. Personal services increases 9 percent as: (1) the 2.5 new positions were budgeted for only three-fourths of fiscal 1986 and the new and any vacant positions in fiscal 1986 were held open approximately three months each to fund the added costs of purchasing personal computers; and (2) after the 5 percent cut, there is not sufficient money in fiscal 1988 to have a full staff. Equipment decreases significantly as the computer system will be completed in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	17.50	17.50	0.00
Personal Service	\$567,831	\$530,601	\$ 37,230
Operating Expenses	119,219	92,524	26,695
Equipment	<u>2,750</u>	<u>66,647</u>	<u>(63,897)</u>
Total Exp. of General Fund	<u>\$689,800</u>	<u>\$689,772</u>	<u>\$=====28=</u>
<u>Biennial Appropriations</u>			
Consultants	\$ 29,400	\$ 17,627	\$ 11,773
Data Processing	<u>55,304</u>	<u>32,011</u>	<u>23,293</u>
Total Biennial Approp.	<u>\$ 84,704</u>	<u>\$ 49,638</u>	<u>\$ 35,066=</u>

Personal service dollars were not fully utilized due to three factors. First, the Legislative Financial Committee did not use all the salary allocated for its meetings as there were fewer meetings due to special sessions and some meetings were in conjunction with special session to save costs. Second, overtime was less due to using temporary secretaries in high peak periods. Third, hiring of new personnel was delayed approximately three months for each position so that the computer system could be fully implemented.

Operating expenses were less due to \$28,000 less travel. The committee held less meetings and charged some of the travel for meetings they held to special session travel. Staff travel was very minimal due to preparing for special sessions.

Equipment was much higher than originally anticipated. After the 1985 session when the computer needs were fully assessed and available systems examined, it was determined that the most feasible approach was to use personal computer which the staff could operate and which would communicate with the secretarial equipment. Therefore, the Legislative Finance Committee approved an operational plan change.

Current Level Explanation

The current level explanation has three sections: F.T.E. and personnel costs, operating expenses, and equipment.

A. FTE and Personal Services

Table 2 shows the type and number of FTE for fiscal years 1986 through 1989. It also shows the components of the personal service costs.

Table 2
FTE and Personal Service

Position	Actual FY 1986	Appropriated FY 1987	- - - Current Level - - - FY 1988	FY 1989
Committee	1.00	1.00	1.00	1.00
Director	1.00	1.00	1.00	1.00
Professional Staff	13.00	13.00	13.00	13.00
Clerical Staff	<u>2.50</u>	<u>3.00</u>	<u>2.50</u>	<u>3.00</u>
Total	<u>17.50</u>	<u>18.00</u>	<u>17.50</u>	<u>18.00</u>
Committee Salary	\$ 4,912	\$ 6,160	\$ 14,069	\$ 8,441
Staff Salary	439,339	477,267	492,345	497,954
Overtime	3,544	10,000	3,897	10,000
Benefits	<u>82,806</u>	<u>91,767</u>	<u>94,594</u>	<u>96,541</u>
Total	<u>\$530,601</u>	<u>\$585,194</u>	<u>\$604,905</u>	<u>\$612,936</u>

Committee compensation is budgeted for ten meetings in fiscal 1988 and six meetings in fiscal 1989.

There are 17.50 authorized FTE in the even numbered years and 18.00 FTE in the odd numbered years. Due to budget cutbacks, the actual positions filled in fiscal 1987 do not include one analyst and one secretary. These vacancies are being filled by the analysts working extra time for which they are not awarded comp-time hours and by using contract secretaries during extremely busy periods. The objective of the 1985 legislature to reduce extra hours worked will not be achieved in fiscal 1987 due to the vacant analyst position and the considerable increase in legislative requests prior to session.

Secretarial overtime is budgeted at \$3,897 in fiscal 1988 and \$10,000 in fiscal 1989. Overtime is unavoidable for committee meetings, mailouts, jury duty, sessions, and sick leave.

All salary costs are on the fiscal 1986 pay matrix and at the fiscal 1986 step due to the 5 percent expenditure reductions in Special Session III. It would cost approximately \$16,000 each year to raise the salaries to the fiscal 1987 level.

B. Operating Expenses:

The difference in operating expenses between fiscal 1988 and 1989 is due primarily to session costs. Session years are more costly in the areas of computer programming, data processing charges from the Department of Administration, printing, and supplies. Each of the seven operating expense categories will be discussed in detail explaining any significant changes between fiscal years.

Contract Services Table 3 shows the contracted services by item for five fiscal years, 1985 through 1989.

Table 3
Comparison of Contract Service Expenditures
Fiscal Years 1985 Through 1989

<u>Contract Expenditures</u>	<u>FY 1985 Actual</u>	<u>FY 1986 Actual</u>	<u>FY 1987 Projected</u>	<u>FY 1988 Requested</u>	<u>FY 1989 Requested</u>
Consultant Services	\$ 4,634	\$ 8,958	\$ 5,000	\$ 5,000	\$ 5,000
D.P. Programming	24,318	9,968	20,000	10,000	24,500
Insurance	1,111	455	500	500	500
Consultant Travel	1,008	213	-0-	-0-	-0-
Computer Processing	41,375	10,544	40,000	10,600	40,000
Records Storage	632	703	650	705	705
Printing	24,866	5,077	25,000	5,100	25,000
Consultant Biennial Appropriation	-0-	17,627	-0-	20,000	-0-
Total	<u>\$97,944</u>	<u>\$53,545</u>	<u>\$91,150</u>	<u>\$51,905</u>	<u>\$95,705</u>

Table 3 shows the differences in costs for computer programming, computer processing, and printing in the session versus the non-session years. The request for fiscal 1988 in these three contract areas is based on actual expenditures in fiscal 1986 and fiscal 1989 is based on fiscal 1985 actual expenditures and projections for fiscal 1987.

Fiscal 1986 consultant services includes a \$3,930 contract for secretary services. This was the cost of using secretaries from a local secretarial service when recruiting new secretaries for the office. This was considered a one-time expense and not included in the 1989 biennium request.

The fiscal 1988 contract services request includes a \$20,000 biennium appropriation for consultants. These funds are needed for specialized expertise and non-routine legal costs. The 1987 biennial appropriation was \$30,000, but \$10,000 was for legal costs of a wage claim filed by a former employee.

Supplies and Materials. Requests in this category are under fiscal 1986 because fiscal 1986 reflects the cost of computer software for the personal computers which was a one-time expenditure. Printing and office supply costs increase by approximately \$5,000 in the session year above the non-session year.

Communications. Communication requests are based on fiscal 1986 with a reduction of approximately \$1,000 due to some one-time costs in fiscal 1986 resulting from moving offices to the basement and installation of a network system for the personal computers.

Travel. Funds were included for ten committee meetings in fiscal 1988 and six in fiscal 1989. Staff travel in-state was allocated at an average of \$513 each for the 14 professionals. Out-of-state travel of \$5,200 was included for both fiscal years for staff participation in professional meetings. Approximately \$4,443 was spent in

out-of-state travel for fiscal 1986. Travel in fiscal 1987 was reduced as a result of the 5 percent budget reduction.

Rent. The only item in the rent category is office space. The budget requests for both years of the biennium are based on projected costs for fiscal 1987.

Repairs and Maintenance. Maintenance contracts were dropped on the word processors and the computer terminal at a reduction of approximately \$4,500 per year. Fiscal 1986 includes approximately \$5,000 one-time expenditures for renovation of the basement office space. The requests for fiscal years 1988 and 1989 include maintenance contracts for the personal computers of \$7,000 per year and the Xerox printer maintenance contract at \$600 for fiscal 1988 and \$930 for fiscal 1989.

Other Expenses. This category contains approximately \$4,600 in fiscal 1986 for employee relocation cost. This was considered one-time and was not requested in the 1989 biennium budget. All other items are based on fiscal 1986 expenditures except for \$2,000 the committee added each year for staff training. In total, the expenses are \$2,500 below the fiscal 1986 level.

C. Equipment:

The request for fiscal 1988 and 1989 allows for miscellaneous equipment of \$2,750 such as work tables, work lights, and calculators. Fiscal 1986 and 1987 expenditures include the purchase of personal computers and a laser printer.

LEGISLATIVE COUNCIL

<u>Budget Item</u>	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	43.50	58.00	44.00	57.50	(0.50)
Personal Service	\$1,228,232	\$1,525,281	\$1,323,639	\$1,611,821	6.6
Operating Expense	735,598	1,427,411	1,618,986	694,012	6.9
Equipment	64,592	13,141	109,235	14,345	59.0
Total Expenditures	\$2,028,422 =====	\$2,965,833 =====	\$3,051,860 =====	\$2,320,178 =====	7.6 =====
<u>Fund Sources</u>					
General Fund	\$1,696,855	\$2,293,898	\$2,264,469	\$2,320,178	14.9
State Special	316,619	664,381	787,391	-0-	(19.7)
Proprietary Funds	14,948	7,554	-0-	-0-	(100.0)
Total Funds	\$2,028,422 =====	\$2,965,833 =====	\$3,051,860 =====	\$2,320,178 =====	7.6 =====

The Legislative Council provides a variety of support services to the Legislature under the general supervision of an eight-member bi-partisan committee composed of four members of the House of Representatives and four members of the Senate. Council services include bill drafting, clerical preparation of bills for introduction using automated equipment, and the engrossing and enrolling of bills; printing and distribution of legislative proceedings, session laws, and journals of the House and Senate, and the preparation of indexes to the same; provision of legislative research and reference services; legal counseling for the Legislature; business management services; committee staffing; provision of interim investigation authority; services as the agency of interstate cooperation; preparation and publication of the Montana Code Annotated statute text and annotations; and other services as assigned by the Legislature. The council was established in 1957. Principal statutory authority is found in Title 5, chapters 5 and 11 and Title 1, chapter 11, MCA.

Total expenditures increase 7.6 percent in the 1989 biennium due to increases in data processing costs of over \$300,000 or 100 percent higher than the 1987 biennium, a 21.3 percent increase in the Interim Studies and Conferences Program budget, and upgrades to computer systems. Total FTE for the biennium remain the same, but 0.5 FTE is shifted from fiscal 1989 to fiscal 1988.

LEGISLATIVE COUNCIL - OPERATIONS

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	41.50	56.00	42.00	55.50	0.50
Personal Service	\$1,191,096	\$1,525,281	\$1,323,639	\$1,611,821	8.1
Operating Expense	253,434	494,479	431,093	604,790	38.5
Equipment	64,287	13,141	109,235	14,345	59.6
Total Expenditures	<u>\$1,508,817</u>	<u>\$2,032,901</u>	<u>\$1,863,967</u>	<u>\$2,230,956</u>	<u>15.6</u>
<u>Fund Sources</u>					
General Fund	<u>\$1,508,817</u>	<u>\$2,032,901</u>	<u>\$1,863,967</u>	<u>\$2,230,956</u>	<u>15.6</u>

Staff of the Council is functionally grouped into four divisions--Management, Research, Legislative Services, and Legal Services. These divisions fall under the Legislative Council Operations budget.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	41.50	41.50	0.00
Personal Service	\$1,211,424	\$1,191,096	\$ 20,328
Operating Expense	344,423	253,434	90,989
Equipment	33,055	64,287	(31,232)
Total Expenditures	<u>\$1,588,902</u>	<u>\$1,508,817</u>	<u>\$ 80,085</u>
<u>Funding</u>			
General Fund	<u>\$1,588,902</u>	<u>\$1,508,817</u>	<u>\$ 80,085</u>

In operating expenses, savings were primarily in two areas: travel and computer services. Council members did not meet every month as budgeted for, saving over \$14,000 and greatly curtailed staff travel to national meetings and training sessions saved another \$12,000.

Computer services costs from the Department of Administration were \$59,000 less than budgeted. There were several reasons for this. In July 1985 there was a 5 percent decrease in processing rates. In September 1985 a 33 percent decrease in CICS on-line, IDMS--central version, and ALTER on-line rates. In January 1986 there was a 4 percent decrease in processing rates. In addition, because of the two special sessions in fiscal 1986, some program development and some annotations work was either cancelled or delayed. The cost of computer services for the special sessions was paid from separate feed bills.

An additional \$6,000 was saved in rental and maintenance costs when some word processing equipment was replaced by personal computers.

The overexpenditure in equipment was in personal computers and related software. The council installed a token-ring network and replaced displaywriters with personal computers.

Current Level Explanation

The current level explanation has three parts--personal services, operating expenses, and equipment.

A. F.T.E. and Personal Services

Table 2 shows FTE by type of position.

Table 2
Legislative Council - Program 10 - Operations
FTE and Personal Services by Position

<u>Position</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Council Members	0.5	0.5	0.5	0.5
Director	1.0	1.0	1.0	1.0
Accounting Clerk	2.0	2.0	2.0	2.0
Purchasing Clerk	1.0	1.0	1.0	1.0
Receptionist	1.0	1.0	1.0	1.0
Secretary	3.5	3.5	3.5	3.5
Indexers	2.0	2.0	2.0	2.0
Director Research	1.0	1.0	1.0	1.0
Researchers	6.0	6.0	6.0	6.0
Librarians	1.5	2.0	2.0	2.0
Director Legal	1.0	1.0	1.0	1.0
Attorneys	7.0	9.5	7.0	9.5
Director Leg. Serv.	1.0	1.0	1.0	1.0
Asst. Dir. Leg. Serv.	1.0	1.0	1.0	1.0
Systems Analyst	2.0	2.0	2.0	2.0
Publications Sup.	1.0	1.0	1.0	1.0
Editor/Proofer	7.0	12.0	7.0	11.5
Data Entry	2.0	7.5	2.0	7.5
Session Clerk	0.0	1.0	0.0	1.0
Total	<u>41.5</u>	<u>56.0</u>	<u>42.0</u>	<u>55.5</u>

Table 3 shows the FTE by category and the personal services costs.

Table 3
Legislative Council FTE and Personal Service Costs
Fiscal 1986 and Fiscal 1989

----- FTE and Personal Services, by Category -----				
	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Legislative Council	.50	.50	.50	.50
Administrators	7.00	7.00	6.00	6.00
Professional Staff	18.00	20.50	18.00	20.50
Clerical Staff	<u>16.00</u>	<u>28.00</u>	<u>17.50</u>	<u>28.50</u>
Total	<u>41.50</u>	<u>56.00</u>	<u>42.00</u>	<u>55.50</u>
----- Personal Services Costs -----				
	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Legislative Council	3,735	5,369	5,000	5,000
Administrative	\$ 243,501	\$ 236,160	\$ 211,287	\$ 210,480
Professional	461,895	558,442	542,609	610,872
Clerical	<u>276,539</u>	<u>436,652</u>	<u>331,576</u>	<u>472,189</u>
Total Salary	\$ 985,670	\$1,236,623	\$1,090,472	\$1,298,541
Overtime	3,299	40,000	-0-	40,000
Benefits	195,677	248,658	222,745	260,333
Longevity	<u>6,451</u>	<u>-0-</u>	<u>10,422</u>	<u>12,947</u>
Total Cost	<u>\$1,191,097</u>	<u>\$1,525,281</u>	<u>\$1,323,639</u>	<u>\$1,611,821</u>

The Legislative Council personal services budget includes funding at the fiscal 1987 pay schedules, benefits, insurance, overtime, and longevity calculated to account for 2,096 hours in fiscal 1988 and 2,088 hours in fiscal 1989. Totals are based on the assumption that there will be no vacancies and that present employees will advance according to the Council's pay plan over the biennium. Funding for anticipated promotions is included. No cost of living increase (step or matrix increase) is included.

Permanent authorized FTE changes include: (1) the half-time library clerk who became full-time on July 1, 1986 in accordance with the budget authorized in 1985, (2) the transfer of 1.0 FTE accounting director from an administrative position to a clerical accounting technician, and (3) transfer of a status report clerical FTE to a systems analyst professional. Part-time session staff is reduced by 0.5 FTE in fiscal 1989.

Adjustments from fiscal 1986 actual to fiscal 1988 include approximately \$20,000 in vacancy savings in fiscal 1986, \$17,671 in fiscal 1987 promotions, and \$32,747 in step increases in fiscal 1987.

Administrative. All but one administrative salary remains at current level. The amounts for the proposed promotion are \$2,320 in fiscal 1988 and \$2,311 in fiscal 1989. The rest of the changes are accounted for by differences in hours.

Professional. Seven promotions are budgeted in fiscal 1988 at a cost of \$24,283 over the fiscal 1987 salary level and two promotions are budgeted in fiscal 1989 for an additional \$1,201. A reduction of \$14,556 from fiscal 1987 to fiscal 1988 represents a 0.5 FTE bill drafter on staff for the session. Additional cost differences between fiscal 1987 and fiscal 1989 are accounted for by the fact that the Legislative Council budgets for five extra drafters (2.5 FTE) during legislative sessions. Budget cuts have allowed for hiring only one session drafter this session. The additional four budgeted for the 1989 session account for \$54,480 over the 1987 budget base. The balance of differences are the result of differences in hours.

Clerical. (Permanent) Recent staff changes have resulted in projected potential vacancy savings of \$14,292 in fiscal 1988 and \$14,109 in fiscal 1989. There is \$1,229 in fiscal 1988 and \$1,240 in fiscal 1989 included for an anticipated promotion. The balance of differences are the result of differences in hours.

Clerical. (Session) Session personal services are budgeted for six months (1,040 hours) in session years (fiscal 1989) only. To provide for compensation of experienced personnel \$2,946 is included. The council is experimenting during the fiscal 1987 session with reduced clerical staffing (3 FTE less than budgeted) during the session. As a consequence, the fiscal 1987 base is \$50,394 below the budgeted amount for fiscal 1989. Should services be successfully provided to the legislature at this reduced level, this would represent the potential savings in personal services.

B. Operating Expenses

The operating expenses for the Legislative Council Operations Program increased \$177,659 or 70 percent between fiscal 1986 and 1988, and \$110,311 or 22 percent between fiscal 1987 and 1989. These increases are explained by category as follows.

Contracted Services. By far the largest item in the Legislative Council budget is contracted services for data processing on the main frame computer. The Council's main frame data processing package (ALTER) is being replaced by a new version called Text DBMS, which will be accessible by all main frame users in the future. There is a \$104,724 increase in the budget between fiscal 1986 and fiscal 1988 and \$70,375 between fiscal 1987 and fiscal 1989 for data processing. A detailed estimate of data processing costs for fiscal 1988 and 1989 follows in Table 4.

Table 4
Contract Services for Data Processing

Category	1986	1988	% Change	1987	1989	% Change
Bills Processing	\$ 2,011	\$ 2,011	-0-	\$ 52,400	\$ 69,867	33.3
Journal Processing	2,720	2,720	-0-	42,109	56,146	33.3
Bill Status Processing	412	412	-0-	69,989	79,290	13.3
Annotations	30,124	34,642	15.0	13,555	16,943	25.0
MCA Index	26,951	30,993	15.0	13,021	12,255	(5.9)
Session Laws	1,572	1,572	-0-	7,395	9,860	33.3
Code Update	21,654	24,902	15.0	17,462	18,079	3.5
Alter Maintenance	651	6,000	871.7	1,386	8,000	477.2
Bill Status Development	6,088	6,088	-0-	20,832	14,880	(28.6)
Print Jobs & Search	551	551	-0-	2,940	1,769	(39.8)
Comm Charge/Storage	6,314	8,208	30.0	15,171	13,988	(7.8)
Searches - Council	641	641	-0-	686	915	33.3
Session Index	397	397	-0-	9,579	12,217	27.5
TIPE	-0-	12,000	N/A	3,666	8,074	120.2
Miscellaneous	211	211	-0-	341	612	79.5
Increased CPU Resource Usage	-0-	25,858	N/A	-0-	72,048	---
Increased disk storage	-0-	7,815	N/A	-0-	7,280	---
Run Time CICS Conversion	-0-	25,000	N/A	-0-	5,000	---
Bill Status Development	-0-	15,000	N/A	-0-	5,000	---
Decrease in Processing Rates	-0-	-0-	N/A	-0-	(71,316)	---
Total	\$100,297 =====	\$205,021 =====	104.4 =====	\$270,532 =====	\$340,907 =====	26.0 =====

Each item shows an anticipated increase because each session experiences an increase in the number of bills and that in turn causes an increase in computer usage and in the number of pages in each publication involved. The largest increase is in estimated but still unknown costs for CPU resource usage of the new version of ALTER, called TextDBMS, the Council's mainframe computer program.

Travel. For fiscal 1988, travel is increased \$31,000 over fiscal 1986 actual and is \$18,000 more in fiscal 1989. In fiscal 1987, the council cut travel extensively from the original 1986 and 1987 budgets. The requested budget covers the same travel as that in the original budgets, which includes 18 meetings of the Legislative Council and staff travel as follows: research staff workshops; legislative services staff technical seminars; Council of State Governments annual meeting; Five State Conference; NCSL Management Committee meetings and Annual meeting; uniform laws conference and continuing legal education seminars; and the national and state library conferences.

Registration fees. The registration fees, which are up about \$11,000 for fiscal 1988 and \$7,000 for fiscal 1989, include registration to the above and general staff training.

Miscellaneous. The other major increases are as follows: Microfilm services for the library, up \$6,000 each fiscal year; copy machine costs up \$5,000 each year; supplies up \$6,000 in fiscal 1988 and \$5,000 in fiscal 1989; advertising (Job Services) up \$2,000 each year; telephones up \$2,000 in fiscal 1988; postage up \$1,500 in fiscal 1988. Rental, repair, and maintenance of office equipment up \$5,500 in fiscal 1988.

C. Equipment

Current level for fiscal 1988 includes \$35,000 to purchase the CICS version of ALTER, \$45,000 to purchase 15 personal computers, \$10,000 to purchase 2 printers, \$5,000 for personal computer software and TextDBMS, and \$14,235 for office equipment. The fiscal 1989 equipment budget is for miscellaneous office furniture and equipment.

INTERIM STUDIES AND CONFERENCES

<u>Interim Standing or Temporary Committees</u>	<u>1987 Biennium</u>	<u>1989 Biennium</u>	<u>% Change</u>
FTE	2.00	2.00	0.00
Joint Interim Committees	\$ 48,325	\$ 80,000	--
Statewide Issues (5-11-105 (1))		25,000	--
Liability Issues (SS II)	12,000	-0-	--
Health Insurance for Retirees	25,500	-0-	--
Law Enforcement Academy	9,000	-0-	--
Select Comm on Indian Affairs	5,000	-0-	--
Sub Total	\$ 99,825	\$105,000	5.2
<u>Permanent Statutory Committees</u>			
Revenue Oversight Committee	49,500	35,000	(29.3)
Coal Tax Subcommittee	12,000	12,000	0.00
Administrative Code Committee	12,406	14,000	13.0
Capitol Building and Planning	3,600	5,000	39.0
<u>Interstate Cooperation</u>			
National Conference of State Legislatures			
Dues	70,584	92,844	32.0
Travel	47,825	86,700	81.0
Council of State Governments			
Dues	63,489	81,800	29.0
Travel	24,567	51,080	108.0
Five State - Biennial Conference	6,060	12,300	103.0
Canadian Province Boundary Committee	4,200	6,000	43.0
Forestry Task Force	19,459		
Total Expenditures	\$413,515 =====	\$501,724 =====	21.3 =====
<u>Funding</u>			
General Fund	\$379,015	\$489,724	29.2
State Special Revenue Fund	12,000	12,000	--
Capital Projects Fund	5,000	-0-	N/A
Agency Fund	17,500	-0-	N/A
Total Funding	\$413,515 =====	\$501,724 =====	21.3 =====

The proposed budget for interim studies and conferences includes funding for studies by interim committees established by the Legislature under Sections 5-5-202 through 5-5-217, MCA; other interim committees established by permanent law; and interstate cooperation organizations in which the legislature has been a participant. Appropriations in this budget are for the most part biennial; dues for the Council of State Governments (CSG) and the National Conference of State Legislatures (NCSL) being the principal exception. Amounts shown for the previous biennium include all ad hoc appropriations for interim legislative activities managed or supported by the Legislative Council and its staff.

The Legislative Council proposes this budget as advice only. The chairman in the individual committee concerned has been consulted. It is appropriate to regard each item as an issue on its own regardless of changes up or down. The interim committee budgets are, for the most part, designed to provide the following costs of operating a committee study: member travel and salary costs, committee printing and postage costs, consultant costs, and any other costs incidental to a particular study. Money for staff personal services is not included. Since neither the committee members nor the studies to be conducted were known during the 1985 session, there was no specific anticipated allocation of costs below the broad appropriation level, nor is there such an anticipation for the 1987 biennium. In practice the Legislative Council staff, the Council, and the committees work cooperatively to establish specific budgets and expenditure plans.

Current Level Explanation.

An analysis of each budget item is presented.

A. Interim standing or temporary committees budget

Total appropriations for the 1987 biennium after reductions in special session amounted to \$99,825 from the general fund, the capital projects fund, and the agency fund. These funds supported eight interim committees: five joint interim subcommittees: Vo-Techs and Job Training, Infrastructure, Agricultural Problems, Lien Laws, and Law Enforcement Academy; the Liability Issues committee established at special session II; and the one-time statutory select committees on Health Insurance for Retired Public Employees and Indian Affairs. The average interim committee budget supported by this category is \$12,478. Assuming an interim committee make-up with about the same mix of members and study demands, current level funding could once again fund about eight committees.

This proposal is up \$5,000 from the proposals submitted by staff to the Legislative Council for the last two budgets, up over double the amount proposed by the Council to the Legislature two years ago, but up much less from the amounts actually appropriated in this and related categories. There are a number of important issues for legislative consideration. While the Council and the appropriations process were cutting the budget proposed in this category, the Legislature was adding money for select committees in amounts equivalent to the amounts originally cut. The current appropriation base for prioritized interim studies after all the cuts is \$48,325. If you add in the appropriations that have been made for special studies that could have been handled in the manner the law specifies for interim studies, there is a total current budget of \$99,825. What is lost is the control and flexibility contemplated in the interim study program concept.

Another issue is that the option of responding to statewide issues that arise such as school funding issues and insurance liability issues has not been funded in

recent years. The law gives the Council authority in this area, but it is meaningless unless sufficient budget is available. To give the Legislature an opportunity to address this issue, the Council has proposed a specially identified \$25,000 budget to support the cost of studies of issues of statewide importance that arise between sessions.

One of the reasons the budget has been cut as low as it is, is that when the Council budget first began to identify interim studies separately (for the 1979 Legislature), there was \$125,000 more money in it than was needed. That biennium, approximately \$65,000 was spent. The next session the budget was reduced to \$75,000, and so on. Concurrently, another phenomenon began to grow. Special committees with special appropriations were created that resulted in executing end runs around the prioritization process. The issue is what is the best and most responsible way to approach the total legislative interim program.

No budgets have been proposed by the Legislative Council for the temporary committees specifically, although money may be allocated to any such committees by request of the Legislature.

B. Permanent Statutory Committees

1. REVENUE OVERSIGHT COMMITTEE. Current level (not including the special appropriation for a tax study) would allow the Revenue Oversight Committee to conduct between 7 and 10 meetings during the next interim to fulfill their statutory duties. Traditionally, the Committee has supported one or two members as liaison to the Coal Tax Oversight Subcommittee. Should that be continued, the lower number of full committee meetings would be the most likely. During the current biennium, the Committee budget was insufficient to allow the Committee to conduct all the meetings members felt were required to perform their responsibilities. Current level in the next biennium would likely be insufficient from that point of view as well. The Committee budget proposal as forwarded by the Legislative Council should provide sufficient funds for the next interim as well as funds for a meeting in the last two months of the biennium following the 1989 session. Current level including the tax study appropriation would be excessive to the Committee's needs, unless major additional work is proposed for the Committee during the session.

2. COAL TAX OVERSIGHT SUBCOMMITTEE. The budget proposed is the same dollar amount as the previous budget. This budget would continue to allow the subcommittee to fulfill its statutory oversight duties.

3. ADMINISTRATIVE CODE COMMITTEE. The budget proposed is reduced from the amount originally appropriated for the committee for the current biennium. The budget is sufficient to allow for 7 meetings and associated support costs.

4. CAPITOL BUILDING AND PLANNING. The proposed budget is the amount originally proposed to the legislature two years ago, but up from currently available funds. The proposed amount would allow the Committee to meet three times during the interim. The Committee has proposed a bill to reduce the legislative membership from twelve members to four. Should that bill pass, this proposal should be reviewed.

C. Interstate Cooperation

1. NCSL DUES. The current appropriation is \$32,500 for fiscal 1986 and \$38,084 for fiscal 1987. The current appropriation would not pay the full dues assessment in the coming biennium and did not do so in the past biennium. NCSL's requested dues for Montana for fiscal 1988 and 1989 are \$45,122 and \$47,722 respectively. The dues amount is based upon a combination of a flat rate per state and a population based rate as set at the annual meeting. The fiscal 1988 figure represents a flat rate increase per state of \$4,180 over the fiscal 1987 figure of \$40,942 (or the equivalent of a 10.2 percent increase for Montana). The fiscal 1989 figure represents an increase of \$2,216 per state plus \$0.465 per 1,000 population (or the equivalent of a 5.8 percent increase for Montana).

2. NCSL TRAVEL. The current level is \$47,825 for the biennium. The current appropriation would allow 5.52 committee memberships on NCSL committees assuming full member participation in committee responsibilities. The proposed budget would allow for 10 committee memberships. Ten memberships has been common in recent years.

3. CSG DUES. The current appropriation is \$31,556 for fiscal 1986 and \$31,933 for fiscal 1987. The current appropriation was sufficient to pay the dues in fiscal 1986 but insufficient to pay the fiscal 1987 dues.

4. CSG TRAVEL. Current appropriation is \$24,567 for the biennium. The current appropriation would allow 3.85 committee memberships on CSG committees assuming full member participation in committee responsibilities. The proposed budget would allow for 8 committee memberships. Eight memberships has been common in recent years.

5. FIVE STATE CONFERENCE TRAVEL. The appropriation in the last biennium was \$8,800 of which \$6,060 was spent. There were also appropriations for two auxiliary committees that were disbanded. Those additional appropriations were not spent. The proposed budget for this biennial conference would allow 15 delegates to attend the conference if held, as anticipated, in Bismarck, North Dakota.

6. MONTANA-WESTERN CANADIAN PROVINCES BOUNDARY ADVISORY COMMITTEE. The current appropriation for the committee is \$4,200 for the biennium. The fiscal note for House Bill 488 had estimated a cost of \$5,880 to support the costs of the Legislative members and staff to attend one meeting in Montana and one meeting in Canada during the biennium. The proposed budget should support the same level of activity by legislative committee members.

MONTANA CODE ANNOTATED

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
Total Expenditures	\$312,744	\$656,256	\$775,391	\$ -0-	(20.0)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
State Special	\$312,744	\$656,256	\$775,391	\$ -0-	(20.0)
	=====	=====	=====	=====	=====

The Montana Code Annotated program supports the publication and distribution of the Montana Code Annotated Statute Text, Annotations, and ancillary publications issued under 1-11-301 and 1-11-303, MCA.

The sales prices of the Code and Annotations which are set by the Legislative Council after costs are determined, include all direct and indirect costs plus a percentage adopted by the Legislative Council. Besides the costs of printing the publications, these costs include: costs of producing any special session pamphlets; costs of producing the microfiche version of the Code and the Legislative Review which is included in all subscriptions. Other costs included in the price are for photo copies of the camera ready copy; TIPE maintenance charges; TIPE data processing charges; staff use data processing charges; typesetting (a per page charge for using the TIPE mainframe program and the APS 5 typesetter at Publications and Graphics), UPS charges for shipping the publications to the subscribers; costs of labels, envelopes, boxes, invoices; any travel costs; and an estimated amount for staff wages.

Revenue from sales is deposited into a special revenue fund from where profits may be periodically transferred to the General Fund.

The budget includes \$393,966 for the Montana Code Annotated text and \$288,425 for the annotations.

Data Base Projects is the name given to various projects done for state agencies and members of the public, such as computer searches of the code or specially ordered printouts of certain areas of the law. There is a minimum charge plus the actual cost of computer time and any other direct costs. The budget includes \$75,000 for Data Base Projects.

This budget also has \$5,000 for the costs of printing and distributing the monthly Interim newsletter to the public, so that the Council can actively solicit subscribers. Costs of providing the Interim to Legislators is included in the Operations budget of the Council, not the Special Revenue Fund.

The \$3,000 video portion of the budget covers the costs of providing the video, Making a Difference, concerning the Legislative process, to the public. The video is sold for \$50 or rented for \$6.50. Montana State University charges the Council approximately \$39.50 to reproduce the video.

The \$10,000 copy machine portion of this budget is used to recover costs of making copies of various reports for members of the public. The Council charges 15 cents per page.

Table 5 shows the estimated expenditures and funding for the Montana Codes Annotated Program. Revenue from the sale of codes and annotations is estimated at \$800,000 for the biennium.

Table 5
Special Revenue Fund Estimated Expenditures
1988-1989 Biennium

MCA Text

Print and Bind 16,000 pp. at \$20/p.	\$320,000
Microfiche	4,000
Legislative Review	15,000
Travel (staff to new printer)	1,000
Travel (2 Indexers to San Francisco)	2,666
Boxes for mailing 6,600 at 50 cents	3,300
Miscellaneous (Invoices, etc.)	3,000
Postage	<u>45,000</u>
Total MCA	\$393,966

MCA Annotations

Print and Bind Updates (12,000 pp. @ \$18/p.)	\$216,000
Print Annotations Supplement 575 pp. @ \$23/p.	13,225
Travel (staff to new printer)	1,000
Boxes for mailing 6,400 at 50 cents	3,200
Miscellaneous (Invoices, etc.)	3,000
Mailing Envelopes	2,000
Postage Annotations Updates	25,000
Postage Annotations Supplements	<u>25,000</u>

Total Annotations	288,425
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Data Base Projects	75,000
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Interim Publication	5,000
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Video Production and Rental	3,000
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Copy Machine and Miscellaneous	<u>10,000</u>
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Total Special Revenue Fund	<u><u>\$775,391</u></u>
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CONSUMER COUNSEL

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	4.25	4.25	4.25	4.25	0.00
Personal Service	\$168,672	\$192,134	\$180,205	\$185,715	1.4
Operating Expense	273,630	564,557	569,238	568,238	35.7
Contingency-Operating Exp.	-0-	95,000	100,000	100,000	110.5
Equipment	19,018	1,000	2,200	2,200	(78.0)
Total Expenditures	\$461,320 =====	\$852,691 =====	\$851,643 =====	\$856,153 =====	30.0 =====
<u>Fund Sources</u>					
State Special	\$461,320 =====	\$852,691 =====	\$851,643 =====	\$856,153 =====	30.0 =====

The office of the Consumer Counsel was created by Article XIII, Section 2 of the Montana Constitution of 1972. The office is governed by Title 5, Chapter 15, MCA, and by Title 69, Chapters 1 and 2, MCA. The Consumer Counsel is charged with the "duty of representing consumer interests in hearings before the Public Service Commission or any other successor agency." The Consumer Counsel also may initiate, intervene in, or otherwise participate in appropriate proceedings in the state and federal courts and in proceedings before federal administrative agencies on behalf of the consuming public of Montana.

The Consumer Counsel's budget consists of a base appropriation for normal operating costs, and a contingency appropriation for costs of expert consultants associated with an unanticipated increased caseload. The office operates in only one program.

The following current level budget request is submitted in order to maintain agency operations and services at the level authorized by the last legislature, which includes the five percent budget cut for the 1987 appropriation.

The amount requested for fiscal 1988 is \$1,048 less than is currently appropriated for fiscal 1987. The amount requested for fiscal 1989 is only .5 percent more than what is requested for fiscal 1988 to cover anticipated salary adjustments and estimated inflation.

The table indicates a 30.0 percent overall increase from the 1987 to the 1989 biennium. This is due to the fact that the office expended only 52 percent of its fiscal 1986 appropriation as a result of a much smaller caseload than usual during that period. However, the office fully expects to expend its fiscal 1987 appropriation.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 1 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.25	4.25	0.00
Personal Service	\$178,354	\$168,672	\$ 9,682
Operating Expense	583,422	273,630	309,792
Contingency-Operating Exp.	100,000	-0-	100,000
Equipment	20,000	19,018	982
Total Expenditures	<u>\$881,776</u>	<u>\$461,320</u>	<u>\$420,456</u>

As mentioned above, the caseload anticipated when budgeting for the 1987 biennium did not materialize for fiscal 1986. As an example of this possible fluctuation: In fiscal 1983, the office spent 90 percent of its appropriation; in fiscal 1984 it spent 100 percent; in fiscal 1985 it spent 84 percent of its total appropriation. Actual caseload is very difficult to anticipate.

Current Level Explanation

The current level explanation has three sections: personal services; operating expenses, and equipment.

A. FTE and Personal Services:

For the past ten years, the staff has consisted of 4.25 FTE: The administrator who is the Consumer Counsel, a utility analyst, a staff attorney, and an administrative secretary. The 0.25 FTE represents the four members of the Legislative Consumer Committee, the office's governing committee.

Table 2 shows the personal service costs for the Consumer Counsel.

Table 2
Comparison of Personal Service Costs for Fiscal 1986 to 1989

<u>Position</u>	<u>Actual FY86</u>	<u>Appropriated FY87</u>	<u>- - Current Level - - FY88</u>	<u>FY89</u>
Administrative	\$ 45,201	\$ 49,572	\$ 48,208	\$ 48,984
Professional	70,952	83,981	75,091	76,300
Clerical	24,678	26,827	25,267	27,595
Committee	3,224	3,147	3,828	3,905
Benefits	19,943	23,807	22,291	23,411
Health Insurance	4,672	4,800	5,520	5,520
Total Cost	<u>\$168,670</u>	<u>\$192,134</u>	<u>\$180,205</u>	<u>\$185,715</u>

The fiscal 1986 figures are actual. The amount appropriated for fiscal 1986 was \$178,354. The staff attorney position was vacant for three months during that fiscal year.

The 1987 figures are appropriated. When the 1987 biennium budget was being planned, annual increases were contemplated. However, in an attempt to keep in line with the pay plan and other state agencies, the committee granted 5 percent increases to staff effective 7-1-85, as well as implemented longevity increments. The 5 percent increase was for the 1987 biennium. Also, the staff attorney hired in July 1986 began at a lesser rate than the rate the previous staff attorney was being paid. Therefore, we anticipate fiscal year 1987 personal service expenditures to be less than \$150,000, or some \$30,000 less than appropriated.

Amounts requested for fiscal 1988 and 1989 anticipate a 2 percent increase July 1, 1987 and a 2 percent increase July 1, 1988 for all positions. Benefits have been figured at slightly less than 15 percent of the salary amounts.

Although the staff of the Consumer Counsel has not been assigned a grade and step in the pay plan, the Legislative Consumer Committee attempts to keep pay raises in line with amounts authorized by the legislature in the pay plan.

B. Operating Expenses:

The operating expenses for the Consumer Counsel are explained by category as described below:

Contract Services. All items in this category are based upon fiscal 1986 actual figures, except for consultant and professional services. This category represents about two-thirds of the office's entire budget. The expenses incurred in this category hinge upon the cyclical caseload activity generated by regulated utilities and transportation companies. For the 1989 biennium, the office is seeking funding in this category in an amount very close to our fiscal 1987 appropriation in anticipation of a much heavier caseload than experienced in fiscal 1986.

As of October, 1986, it is clear that the anticipated caseload will, in fact, be significantly heavier than in fiscal 1986. The primary moving force behind this has been the passage of the Federal Tax Reform Act of 1986. This will cause this office to expend significant sums of monies for contracted services to examine the financial posture of each utility operating in Montana when Tax Reform Act changes are reflected in its filing. Moreover, the PSC authorized rate of return as applied to each utility is apparently going to be revised as well, as indicated by recent actions of the commission. Additionally, the Consumer Counsel is involved along with the states of North and South Dakota and Wyoming in a Federal Energy Regulatory Commission proceeding which will examine the gas purchase practices of Williston Basin Interstate Pipeline Co., the sole source of Montana-Dakota Utilities Co. gas supply. The break-up of the Bell organization and actions by the Federal Communications Commission in changing the way telephone utility costs are allocated will also generate additional telecommunications utility hearings.

Supplies and Materials. Expenditures in this category have continued to increase through the years. Amounts requested for the 1989 biennium are 23 percent higher than fiscal 1986 since the office will be needing data processing supplies not needed in previous years.

Communications. All items in this category are based on fiscal 1986 with estimated inflation included. Anticipated amounts for data communication charges are included.

Travel. Amounts requested in this category are based upon our fiscal 1987 appropriation. The primary increase from fiscal 1986 actual expenditures will be caused by increased activity in Washington, D.C. before the Federal Energy Regulatory Commission (FERC) due primarily to the reorganization of a major utility, Montana Dakota Utilities Co. (MDU). The primary influence on the prices MDU's Montana gas subscribers pay for their natural gas will be in the rates the FERC sets for MDU's sister corporation, Williston Basin Pipeline Co. Assuming only one general filing per year before the FERC, there will be at least three trips to Washington, D.C. for a staff attorney and two trips for the staff rate analyst. Otherwise, we anticipate normal, in-state travel (depending again upon our caseload before the PSC) and a normal year for staff and committee member seminar attendance, usually out of state.

Rent. The office's current lease for office space expires in April, 1987, and we anticipate at least a three percent increase upon renewal of another two-year lease.

Repair and Maintenance. With the purchase in fiscal 1986 of new computer equipment, this category will increase considerably over previous years.

Other Expenses. This category includes subscriptions, dues and registration fees for training conferences. These items historically increase in cost, and staff and committee members will need to continue to keep abreast of changing utility issues.

C. Equipment:

In fiscal 1986, the office purchased computer terminals, printers and furniture through the Department of Administration's state contract. No additional large purchases of equipment are anticipated. However, minor office equipment and a communications modem for the computers are anticipated for purchase in the 1989 biennium.

Funding

The only funding source for the office of Consumer Counsel is a tax levied on all regulated entities under the Public Service Commission's jurisdiction (gas, electric, telephone, water and sewer utilities, motor carriers, and railroads). The tax is collected by the Department of Revenue. The tax rate can be changed quarterly, if necessary, to adjust for cash carryovers from previous fiscal years. For instance, as mentioned previously, in fiscal 1986 the office expended only 52 percent of its appropriation, which resulted in a cash carryover to fiscal 1987 of over \$700,000. This, in turn, allowed the Consumer Counsel tax levied upon the regulated utilities to be reduced from \$1.00 per \$1,000 in gross operating revenue to \$.33 per \$1,000 beginning with the first quarter in fiscal 1987. The crediting of any cash balance to the next fiscal year prevents the accrual of any significant cash balances. The Department of Revenue calculates the tax so as to collect the amount appropriated for

the office by the legislature, as closely as possible, to avoid overcollections. Table 3 shows cash flow and anticipated cash flow for the utility tax fund.

Table 3
Tax Revenue Levied on Utilities to Pay for Consumer Council

	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
Beginning Fund Balance	\$ 360,177	\$718,019	\$ 328	\$ -0-
Special Tax Revenue	<u>811,768</u>	<u>135,000</u>	<u>851,315</u>	<u>856,153</u>
Total Funds Available	<u>\$1,171,945</u>	<u>\$853,019</u>	<u>\$851,643</u>	<u>\$856,153</u>
Expenditures	\$ 461,316	\$852,691	\$851,643	\$856,153
Adjustment	<u>+7,390</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Ending Fund Balance	<u>\$ 718,019</u>	<u>\$ 328</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

ENVIRONMENTAL QUALITY COUNCIL

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	6.50	6.50	6.50	6.50	0.00
Personal Service	\$163,230	\$171,655	\$179,941	\$174,681	5.9
Operating Expense	76,086	73,860	84,574	59,633	(3.8)
Equipment	-0-	-0-	3,000	3,000	--
Total Expenditures	<u>\$239,316</u>	<u>\$245,515</u>	<u>\$267,515</u>	<u>\$237,314</u>	<u>4.1</u>
<u>Fund Sources</u>					
General Fund	\$228,393	\$230,238	\$241,315	\$237,314	4.4
State Special	<u>10,923</u>	<u>15,277</u>	<u>26,200</u>	<u>-0-</u>	<u>0.0</u>
Total Funds	<u>\$239,316</u>	<u>\$245,515</u>	<u>\$267,515</u>	<u>\$237,314</u>	<u>4.1</u>

The Environmental Quality Council (EQC) was created in 1971 by the Montana Environmental Policy Act (MEPA). As an arm of the legislature, the EQC is charged with implementing the provisions of MEPA and with numerous other statutory duties, as well as completing projects that are assigned to it by the legislature. The EQC reviews the policies and programs of Montana state agencies that are concerned with environmental matters and natural resource development and conservation. The council researches and analyzes environmental trends and problems and recommends ways to improve the state's natural, social, and economic environments. It assists the legislature with natural resource legislation, and staffs the natural resources standing committees and the Water Policy Committee.

Costs for operation of a current level budget increased 4.1 percent, primarily because a vacancy on the professional staff for part of fiscal 1986 caused actual expenditures to be lower than the appropriated amount and due to budgeting for equipment. This position has been filled, and because of the small size of the staff, future vacancy savings cannot be reliably anticipated.

The Water Policy Committee is supported by resource indemnity trust state special revenue funds. This is a biennial appropriation which shows in fiscal 1988 only under operating expenses.

Two programs exist within the agency for general operation of the EQC and operation of the Water Policy Committee. The general EQC program, under the proposed budget for the 1989 biennium, will continue to achieve the goals established in MEPA.

ENVIRONMENTAL QUALITY COUNCIL
EQC PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	6.25	6.25	6.25	6.25	0.00
Personal Service	\$159,162	\$170,923	\$175,141	\$174,681	6.0
Operating Expense	69,231	59,315	63,174	59,633	(4.5)
Equipment	-0-	-0-	3,000	3,000	---
Total Expenditures	<u>\$228,393</u>	<u>\$230,238</u>	<u>\$241,315</u>	<u>\$237,314</u>	<u>4.4</u>
Fund Sources					
General Fund	<u>\$228,393</u>	<u>\$230,238</u>	<u>\$241,315</u>	<u>\$237,314</u>	<u>4.4</u>

Current level changes over the two bienniums are minor. Personal services increase 6 percent because of an unanticipated vacancy and because salary costs for legislators and public members on the EQC were lower than budgeted in fiscal 1986. The EQC has directed the agency to budget as though each member will attend every scheduled meeting, in the 1989 biennium.

Operating expenses decrease by 4.5 percent. With all positions filled, less money will be needed for contracted services than was spent in fiscal 1986. For the first time, the EQC proposes an equipment budget. In the past, unexpended funds from other categories were used to fund equipment purchases. This budget item more realistically reflects agency needs to replace worn out office equipment.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	6.25	6.25	0.00
Personal Service	\$170,923	\$159,162	\$11,761
Operating Expense	59,315	69,231	(9,916)
Equipment	-0-	-0-	-0-
Total Exp. & General Fund	<u>\$230,238</u>	<u>\$228,393</u>	<u>\$1,845</u>

Personal services expenditures did not meet the budgeted amount because of a staff vacancy and because salaries for legislative and public members of the council were not paid for meetings not attended. Operating expenses exceeded budgeted amounts because contracted services were necessary to compensate for the vacancy.

Current Level Explanation

The current level explanation has three parts: personal services, operating expenses, and equipment.

A. FTE and Personal Service:

Table 2 shows the FTE and salary by categories for fiscal 1986, 1988, and 1989.

Table 2
FTE and Salary by Category
Fiscal 1986, 1988, and 1989

Position	Salary					
	FTE	FY 1986	FTE	FY 1988	FTE	FY 1989
Elected Official	0.75	\$ 4,682	0.75	\$ 8,000	0.75	\$ 8,000
Director	1.00	41,271	1.00	41,430	1.00	41,271
Professional	3.00*	58,582	3.00	67,711	3.00	67,453
Technical	1.00	21,734	1.00	21,817	1.00	21,734
Clerical	0.50	6,475	0.50	6,500	0.50	6,475
Total	6.25 =====	\$132,744 =====	6.25 =====	\$145,458 =====	6.25 =====	\$144,933 =====

*One professional position vacant part of the year.

There are essentially no changes from fiscal 1986 to the 1989 biennium. Fiscal 1988 costs are higher than fiscal 1989 costs because of more working hours in the first fiscal year. The budgeted figures include the salary for EQC staff at the fiscal 1986 pay level. Due to the five percent cutback and no pay plan funding there were insufficient funds to support any 1987 pay raises, which would have cost approximately \$6,000. There are no vacancy savings anticipated.

B. Operating Expenses:

The operating expenses for the general EQC program are explained by category as described below.

Contract Services. Contract services for EQC include photocopying, printing, and professional services. Contract service expenses will decrease in the next biennium because of accruals and fiscal 1987 cutbacks in this category. Contract services increase from the fiscal 1988 level by \$3,500 in fiscal 1989 to account for increased printing costs for final reports to the legislature.

Supplies. Office supplies remain fairly constant with an increase of \$73 for each year of the biennium.

Telephone/Postage. Telephone and postage costs increase by \$160 for each year of the biennium to reflect inflation and anticipated communication costs. The requested amount is less than what was budgeted for fiscal 1987.

Travel. Travel costs for the EQC include meals, mileage, lodging for travel to EQC meetings for the members of the council, and for staff travel to out-of-town meetings. Travel costs will increase from actual fiscal 1986 expenditures in the coming biennium. The council budgets for travel as if each member will attend every scheduled meeting. Fiscal 1986 costs were less than projected because no member had a perfect attendance record. Travel costs decrease in fiscal 1989 because legislators are in Helena for the legislative session.

Rent. The council has no budget for rent. Currently EQC is not charged for rent and the money budgeted in the 1987 biennium was cut in both fiscal years as a part of the two percent and five percent cutbacks. If EQC is charged for rent during the coming biennium, supplemental funds will need to be obtained.

Repair/Maintenance. Expenses will decrease in this category because maintenance contracts have been eliminated.

Other Expenses. Expenses in this category include subscriptions and registration fees for training conferences. Expenses remain constant.

C. Equipment:

The Environmental Quality Council has never had an equipment budget but has relied on unexpended funds in other categories when needs arose. Because much of the agency's equipment is worn-out and dated, a budget of \$3,000 for each year is proposed.

ENVIRONMENTAL QUALITY COUNCIL -- WATER POLICY

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u> <u>1986</u>	<u>Fiscal</u> <u>1987</u>	<u>Fiscal</u> <u>1988</u>	<u>Fiscal</u> <u>1989</u>	<u>1987-89</u> <u>Biennium</u>
F.T.E.	0.25	0.25	0.25	0.25	0.00
Personal Service	\$ 4,068	\$ 732	\$ 4,800	\$ -0-	---
Operating Expense	6,855	14,545	21,400	-0-	---
Total Expenditures	\$10,923 =====	\$15,277 =====	\$26,200 =====	\$ -0- =====	--- ===
<u>Fund Sources</u>					
State Special	\$10,923 =====	\$15,277 =====	\$26,200 =====	\$ -0- =====	--- ===

The second program for the Environmental Quality Council is the operation of the Water Policy Committee, which was created statutorily by the 1985 legislature. The Water Policy Committee's duties include advising the legislature on the adequacy of

the state's water policy and of important state, regional, national, and international developments relating to Montana's water resources; overseeing the policies and activities of the Department of Natural Resources and Conservation and other entities as they relate to water management; analyzing and commenting on the state water plan, the water development program, water research, and water data management system; and reporting to the legislature each biennium.

The proposed budget for the 1989 biennium is identical to that of the previous biennium. The Water Policy Committee receives a biennial appropriation.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 3 compares fiscal 1986 actual expenditures and funding to the biennial appropriation. The remaining funds will be used in fiscal 1987.

Table 3 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	0.25	0.25	0.00
Personal Service	\$ 4,800	\$ 4,067	\$ 733
Operating Expense	<u>21,400</u>	<u>6,856</u>	<u>14,544</u>
Total Exp. and State Special Rev.	<u>\$26,200</u>	<u>\$10,923</u>	<u>\$15,277</u>

Current Level Explanation

The current level explanation has two parts: personal services and operating expenses.

A. FTE and Personal Service:

A personal services budget of \$4,800 for the biennium exists currently and is proposed for the 1989 biennium for committee member compensation. Staff salaries for the Water Policy Committee are absorbed in the general EQC program. An FTE level of 0.25 is allocated for compensation to the committee.

B. Operating Expenses:

Only three categories of operating expenses are budgeted for the Water Policy Committee. These include: contract services--\$8,400; postage and mailing--\$1,000; and travel--\$12,000. These are biennial appropriations and remain constant for the next biennium. All other expenses for operation of the committee are absorbed within the general EQC program budget.

Funding

Funding for the Water Policy Committee is derived from the Resource Indemnity Trust State Special Revenue Account.

JUDICIARY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	87.00	\$8,464,877	\$9,497,403
LFA Current Level	85.50	8,204,782	9,168,086
Executive Over (Under) LFA	<u>1.50</u>	<u>\$ 260,095</u>	<u>\$ 329,317</u>

The executive budget is \$329,317 higher than LFA current level. Primary reasons for the higher executive budget include 1.5 FTE more than LFA current level, budgeting for contract services in excess of \$120,000 over LFA current level, and a budget of \$35,000 for equipment for the District Water Courts not included in LFA current level. Table A indicates the difference by type of expenditure and funding source for the 1989 biennium.

Table A
Executive Budget Amounts Over LFA Current Level
1989 Biennium

<u>Budget Item</u>	<u>Increase Over LFA Current Level</u>
Personal Services	\$ 95,292
Operating Expenses	192,785
Equipment	<u>41,240</u>
Total Expenditures	<u>\$329,317</u>
<u>Funding Sources</u>	
General Fund	\$260,095
State Special Revenue	45,622
Federal and Other	<u>23,600</u>
Total Funding Difference	<u>\$329,317</u>

The following explanation of major differences has four sections: personal services, operating expenses, equipment, and funding.

PERSONAL SERVICES

The executive budget has 1.50 more FTE and \$95,292 more total funds for personal services than LFA current level. The differences are explained in the following issues.

ISSUE 1: FTE REDUCTION, BOARDS AND COMMISSIONS

The executive budget includes a 1.0 FTE budget finance officer position in the Boards and Commissions Program that has been vacant over two years. The duties of that position were assumed by an existing employee in an accounting technician position. The biennial cost of the position is \$63,260. The position was deleted from LFA current level.

ISSUE 2: FTE REDUCTION, SUPREME COURT OPERATIONS

The executive budget includes 1.0 FTE judicial technician in Supreme Court Operations that was vacant all of fiscal 1986. The biennial cost of the position is \$44,530. The position was deleted from LFA current level.

ISSUE 3: FTE REDUCTION, DISTRICT WATER COURTS

The executive budget reduced the District Water Courts 0.5 FTE by deleting a 1.0 FTE paraprofessional for a cost reduction of \$45,850 but adding a clerical position at a cost of \$13,560.

Other minor adjustments in personal services resulted in funding in the executive budget of \$19,790 over LFA current level.

OPERATING EXPENSES

The executive budget has \$192,785 more in operating expenses than LFA current level. Table B provides a brief description of the major differences.

Table B
Executive Budget Operating Expenses Over LFA Current Level
1989 Biennium

<u>Program/Title</u>	<u>Description</u>	<u>Increase Over LFA Current Level</u>
<u>Supreme Court Operations</u>		
Computer Services Costs	The executive budget includes one-time computer systems development costs for the Statewide Judicial Information System.	\$13,700
Montana Reports Backlog	The executive budget includes funding for printing eight volumes of the Montana Reports, including four volumes to reduce a prior year backlog. LFA current level includes funding only for the four current volumes.	42,200
<u>Boards and Commissions</u>		
Contract Services	The executive budget includes funding for an increase in contract services of over \$20,000 per year above the fiscal 1986 appropriation. The expenditures have increased \$10,000 each year for the last three years.	22,300
Legal Fees	The executive budget includes an increase in legal fees of over 100 percent for investigative work by the Judicial Standards Commission and the Commission on Practice.	5,300
<u>Law Library</u>		
Computer Service Fees	The executive budget includes an increase of \$7,300 over current level for computer processing charges including online service fees for databases for legal research.	7,300
Supplies	The executive budget includes an increase above current level for supplies and materials. LFA current level is at actual fiscal 1986 expenditures.	11,600
<u>District Courts</u>		
Training	The executive budget includes \$16,000 per year for continuing legal education for district court judges. Training was held in fiscal 1986 at a cost of \$100.	31,800
<u>Water Courts</u>		
Travel	The executive budget includes increases for travel of new staff not included in current level.	23,700
Building Rent	The water courts rent non-state buildings. The executive budget includes a rent increase of 30 percent from fiscal 1986 to 1988, and an additional 7.8 percent increase in fiscal 1989. LFA current level allows inflation at the state rate of negative 1 percent, 7 percent, and 3.4 percent in fiscal years 1987, 1988, and 1989, respectively.	13,500
Other Misc. Adjustments		21,400
Total Operating Expense Differences		\$192,800 =====

EQUIPMENT

The executive budget has \$41,240 more in equipment than LFA current level. The executive budget also has an additional \$3,660 included in operating expenses that LFA current level has in equipment. The differences are explained in the following issues.

ISSUE 4: LAW LIBRARY - BOOKS

The executive budget includes \$9,900 more for book and reference material purchases than LFA current level. The executive provides funding at the fiscal 1986 actual expense rate for each year of the 1989 biennium. LFA current level reduces fiscal 1989 by \$9,900 for the cost of a set of codes purchased every other year.

ISSUE 5: EQUIPMENT FOR WATER COURTS

The executive budget includes \$35,000 for the purchase of \$12,465 of word processing equipment and \$5,035 of office equipment during each year of the biennium. LFA current level makes no allowance for equipment in view of an anticipated dissolution of the program in less than two years. Options other than purchases could be considered.

FUNDING

The executive budget includes \$260,095 more general fund and \$45,622 more state special revenue funds, which are proportionate to the overall increases in the executive budget over LFA current level. The executive budget also includes \$23,600 of funds from a private foundation to the law library to set up an electronic document transfer system in Montana. The funds are part of a grant of \$134,000 for which \$111,000 was approved in the 1987 biennium by budget amendment. The LFA did not consider this project to be current level.

JUDICIARY

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	91.00	91.00	89.00	85.50	(5.50)
Personal Service	\$3,593,338	\$3,589,026	\$3,595,910	\$3,493,237	(1.3)
Operating Expense	806,339	963,053	823,991	822,062	(7.0)
Equipment	257,569	218,878	227,248	205,638	(9.1)
Total Expenditures	\$4,657,246 =====	\$4,770,957 =====	\$4,647,149 =====	\$4,520,937 =====	(2.8) =====
Fund Sources					
General Fund	\$4,223,721	\$4,202,353	\$4,165,759	\$4,039,023	(2.6)
State Special	424,667	568,604	481,390	481,914	(3.0)
Federal Revenue	8,858	-0-	-0-	-0-	(100.0)
Total Funds	\$4,657,246 =====	\$4,770,957 =====	\$4,647,149 =====	\$4,520,937 =====	(2.8) =====

The judicial branch of state government is provided for in Article III, Section I and Article VII of the Montana Constitution. In Section II of Article VII, the jurisdiction of the Supreme Court is defined. That jurisdiction consists of all appellate jurisdiction and original jurisdiction in petitions for writs of habeas corpus and other such writs, general supervisory control over all courts, and rule making powers of Montana's courts.

Current level decreases 2.8 percent from the 1987 biennium level. Personal services decrease primarily due to (1) the removal of a 1.0 FTE budget and fiscal officer position in the 1989 biennium in the Boards and Commissions Program which has been vacant two years, (2) the removal of a 1.0 FTE judicial technician position in Supreme Court Operations which had been vacant all of fiscal 1986, and (3) the removal of 3.5 FTE in fiscal 1989 for the elimination of two supreme court justices and their staffs in December, 1988 due to the sunset provision contained in Section 3-2-101, MCA.

Operating expenses decrease due to removal of one-time systems development costs in the Supreme Court Operations Program, reduction of contract services in the Boards and Commissions Program, inclusion of higher estimates in the fiscal 1987 appropriation for law library computer research service expenditures than was included in the 1989 biennium current level, and current level in the Water Courts Program for the 1989 biennium that is higher than actual costs incurred in fiscal 1986, but is substantially less than the fiscal 1987 appropriation.

SUPREME COURT OPERATIONS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	32.00	32.00	31.00	27.50	(4.50)
Personal Service	\$1,007,703	\$ 990,019	\$ 973,824	\$ 862,539	(8.1)
Operating Expense	306,738	292,011	291,045	281,565	(4.4)
Equipment	29,118	5,163	8,050	-0-	(76.5)
Total Expenditures	<u>\$1,343,559</u>	<u>\$1,287,193</u>	<u>\$1,272,919</u>	<u>\$1,144,104</u>	<u>(8.1)</u>
Fund Sources					
General Fund	<u>\$1,343,559</u>	<u>\$1,287,193</u>	<u>\$1,272,919</u>	<u>\$1,144,104</u>	<u>(8.1)</u>

The Supreme Court is the appellate court in the State of Montana. The Supreme Court also has original jurisdiction to issue, hear, and determine writs of habeas corpus and other writs as provided by law. The Supreme Court Operations Program relates specifically to the day-to-day operations of the court.

Authorized expenditures decrease 8.1 percent in the 1989 biennium, primarily due to removal of a 1.0 FTE judicial technician position, a reduction of two associate justices and their staffs in January 1989, as well as minor reductions in operating expenses and a lower requirement for equipment.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	32.00	32.00	0.00
Personal Service	\$ 986,359	\$1,007,703	\$(21,344)
Operating Expense	306,390	306,738	(348)
Equipment	28,659	29,118	(459)
Total Exp. and Gen. Fund	<u>\$1,321,408</u>	<u>\$1,343,559</u>	<u>\$(22,151)</u>

Personal services were overspent for two reasons: 1) termination pay was paid in excess of \$14,000, and 2) two secretaries were on maternity leave during the fiscal

year in a paid status while replacements were brought in on a temporary basis. In addition, vacancy savings of \$9,744 were only partially realized. The shortfall in funds for personal services was covered by a program transfer from the Boards and Commissions Program.

In operating expenses, contract services were overspent by \$21,595, largely due to unbudgeted costs of systems development for a new computer system. The overexpenditure in contract services was offset by supplies and materials being \$9,200 less than appropriated due to lower than anticipated requirements for office supplies, books and reference materials; telephone expenses being \$4,435 less than budgeted; rent being down \$3,300 primarily due to reduced building rent; and repairs and maintenance being down \$5,815 due to a reduced cost for maintenance contracts for equipment replaced.

Equipment expenditures were for a new computer system for the Statewide Judicial Information System.

Current Level Adjustments

Personal services are reduced by a 1.0 FTE judicial technician position, and by 3.5 FTE in fiscal 1989 for 2 justice positions, 4 law clerks, and 1 secretarial position for one-half year due to the sunset of those positions by law on December 31, 1988. No vacancy savings were taken on the judges' compensations.

Operating expenses are reduced \$34,322 for one-time systems development costs, \$825 for reduced anticipated Westlaw costs, \$124 for out of state travel, \$1,561 for rental of computer equipment due to the purchase of a new system, \$970 for lower building rental expense, and \$521 for reduced subscription costs. Current level is increased for expected increases in dues to the National Center for State Courts of \$3,695 in fiscal 1988 and an additional \$2,106 in fiscal 1989. The biennial audit cost of \$14,400 is included in fiscal 1988. Audit fees for the 1987 biennium were \$11,963, of which only \$2,911 was expended in fiscal 1986. Minor adjustments to operating expenses result in a net reduction in fiscal 1988 current level of \$40, while inflation adds \$7,506.

Equipment costs include \$3,580 for the balance of the payment for the upgrade of the Statewide Judicial Information System and \$4,470 for a computer and software to be used for word processing and budget analysis in court administration.

BOARDS AND COMMISSIONS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	3.00	3.00	2.00	2.00	(1.00)
Personal Service	\$ 46,369	\$ 49,715	\$ 41,579	\$ 41,494	(13.5)
Operating Expense	117,258	129,458	113,341	113,383	(8.1)
Equipment	756	-0-	-0-	-0-	---
Total Expenditures	\$164,383 =====	\$179,173 =====	\$154,920 =====	\$154,877 =====	(9.8) =====
Fund Sources					
General Fund	\$164,383 =====	\$179,173 =====	\$154,920 =====	\$154,877 =====	(9.8) =====

The Montana Constitution assigns a number of duties to the Supreme Court. These duties include, but are not limited to, supervision over all other courts, development of rules for appellate procedure, establishment of appropriate practice and procedure for all other courts, plus rule making for admissions to the bar and member conduct. The majority of these duties are accomplished by 11 active boards and commissions which are a part of the Supreme Court. Other duties are accomplished by the Supreme Court staff and by temporary boards and commissions.

Current level decreases 9.8 percent in the 1989 biennium, primarily due to the deletion of one vacant position and reductions in contracted services.

Table 2 lists the names, duties, and expenditures in fiscal 1986 for the boards and commissions.

Table 2
Judiciary Boards and Commissions

<u>Name</u>	<u>Duties</u>	<u>Fiscal 1986 Expenditures</u>
Judicial Standards Commission	Possesses investigative, prosecutorial, and adjudicative functions, with the goal of protecting the public, preserving integrity of the judicial process, maintain public confidence in the judiciary, and update judicial rules of procedure.	\$ 729
Sentence Review Board	To ensure uniformity in sentences of a similar nature statewide.	13,402
Board of Bar Examiners	Examines applicants for the bar to determine if they are qualified to practice law in Montana.	55,492
Judicial Nominations Commission	Nominates candidates for Governor's approval as a replacement on the supreme court or district court.	132
Civil Procedure	Recommends to Montana Supreme Court modifications to Montana rules of civil procedure based upon changes in federal rules of civil procedure.	3,107
Commission on Courts of Limited Jurisdiction	Oversees the training and certification of justices of the peace and city judges in Montana.	41,954
Commission on Practice	Ensures expeditious and fair handling of complaints of citizens against attorneys.	33,084
Commission on Rules Concerning Admission to Practice of Law	Determines rules for admission to the practice of law in Montana.	2,917
Civil Jury Instruction Guidelines Commission	Prepares proposed civil jury instruction guidelines for consideration by the supreme court and to review and propose revisions to the court.	*
Commission on Uniform District Court Rules	Prepares proposed uniform district court rules for consideration by the supreme court.	*
Criminal Procedure Commission	Prepares proposed criminal procedure guidelines for courts, lawyers, and defendants to follow.	*
Other Staff/Temporary	Probate review, rules of evidence, sentencing guidelines.	13,566
Boards and Commissions, Fiscal 1986 Total		\$164,383 =====

*Expenditures included in \$3,107 for Civil Procedure listed above.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.00	2.00	1.00
Personal Service	\$ 79,682	\$ 46,369	\$33,313
Operating Expense	124,045	117,258	6,787
Equipment	-0-	756	(756)
Total Exp. and Gen. Fund	<u>\$203,727</u>	<u>\$164,383</u>	<u>\$39,344</u>

Personal services were less than appropriated as 1.0 FTE budget and finance officer was vacant in fiscal 1986. The funds were transferred to the Supreme Court Operations Program.

Operating expenses were \$6,787 less than budgeted as supplies decreased \$6,608. Instate travel, primarily aircraft rental, decreased \$3,504, and meeting room rent decreased \$1,294. Items which were more than budgeted were contract services of \$1,730, communications of \$1,970 for long distance calls and postage, repair and maintenance of \$233, and other expenses of \$686 for training conference registration fees.

Current Level Adjustments

One FTE budget and finance officer position was deleted from current level. The position has been vacant for over two years, and the majority of the position responsibilities were assumed by an existing accounting technician position. In operating expenses, consulting and professional services of \$10,350 were removed from the fiscal 1986 base due to excessive annual increases of over \$10,000 per year since fiscal 1985, which could not be fully justified. At the agency's request, out-of-state travel costs were reduced \$597. Unbudgeted registration fees of \$565 were removed from the base. Current level was increased \$7,690 for statutorily mandated training costs for the courts of limited jurisdiction. The training was conducted in the fiscal 1986 base year, but no instructors were hired, nor were new materials purchased due to budget constraints. Inflation and other minor adjustments to operating expenses resulted in a net decrease of \$95. There was no request for equipment in the 1989 biennium.

LAW LIBRARY

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	6.50	6.50	6.50	6.50	0.00
Personal Service	\$168,319	\$156,465	\$157,212	\$156,904	(13.3)
Operating Expense	141,918	171,840	142,669	145,120	(18.3)
Equipment	215,538	196,215	219,198	205,638	3.2
Total Expenditures	\$525,775 =====	\$524,520 =====	\$519,079 =====	\$507,662 =====	(2.2) =====
<u>Fund Sources</u>					
General Fund	\$499,136	\$504,826	\$501,004	\$489,587	(1.3)
State Special	17,781	19,694	18,075	18,075	(3.5)
Federal Revenue	8,858	-0-	-0-	-0-	(100.0)
Total Funds	\$525,775 =====	\$524,520 =====	\$519,079 =====	\$507,662 =====	(2.2) =====

The Law Library is a reference source for the Montana Supreme Court, district courts, and all attorneys who practice law in the state. The inventory of books and materials on hand can be classified into the following categories: treatises, law reviews, reports, microfilm, and video tapes for continuing legal education. The law library also maintains a collection of all state codes.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	6.50	6.50	0.00
Personal Service	\$156,089	\$162,939	\$(6,850)
Operating Expense	160,742	138,440	22,302
Equipment	230,176	215,538	14,638
Total Expenditures	<u>\$547,007</u>	<u>\$516,917</u>	<u>\$30,090=</u>
<u>Funding</u>			
General Fund	\$499,686	\$499,136	\$ 550
State Special	<u>47,321</u>	<u>17,781</u>	<u>29,540</u>
Total Funds	<u>\$547,007</u>	<u>\$516,917</u>	<u>\$30,090=</u>
<u>Additions</u>			
Budget Amendments	<u>\$-0-</u>	<u>\$8,858</u>	<u>\$(8,858)</u>

Overall, the Law Library budget was underspent by \$30,090, or 5.5 percent of the total budget. Personal services were overspent because vacancy savings budgeted for the program were not realized. Operating expenses were underexpended by \$22,302, largely due to contracted services for computerized research services, including Westlaw, being less than anticipated. A 158 percent increase in the 1987 biennium budget for the research services had been granted for an anticipated increased service use, but the usage fell well short of expectations and was underspent by approximately \$16,200. Expenditures for supplies and materials were \$5,100 less than budgeted. Postage and mailing costs exceeded the budget by \$1,700, while telephone costs were underexpended by \$2,700. In equipment, the expenditure for books was \$14,638 less than anticipated.

A \$111,000 budget amendment was approved for the Helena Faxnet Project, funded by a private charitable trust. The funds are to be used to establish a rapid document delivery system in Montana, using telephone transfer terminals to transmit documents. Only \$8,858 of the amount authorized was expended in fiscal 1986.

Current Level Adjustments

Job candidate expenses of \$2,279 were removed from the fiscal 1986 base. Other minor adjustments to operating expenses resulted in a net increase in current level of \$213. The fiscal 1989 book budget was reduced \$9,900 for the cost of codes that are purchased only in the even years. An additional \$3,660 was added in fiscal 1988 for the upgrade of the cataloging system terminal.

DISTRICT COURTS

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	36.00	36.00	36.00	36.00	0.00
Personal Service	\$2,072,790	\$2,060,988	\$2,094,354	\$2,103,998	1.6
Operating Expense	143,853	170,173	142,562	146,457	(8.0)
Total Expenditures	<u>\$2,216,643</u>	<u>\$2,231,161</u>	<u>\$2,236,916</u>	<u>\$2,250,455</u>	<u>0.9</u>
<u>Fund Sources</u>					
General Fund	<u>\$2,216,643</u>	<u>\$2,231,161</u>	<u>\$2,236,916</u>	<u>\$2,250,455</u>	<u>0.9</u>

The District Court Operations Program allocates monies to pay salaries, travel, and training expenses for district judges.

Current level increases less than 1 percent in the 1989 biennium, primarily due to a small increase in benefits for judges.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	36.00	36.00	0.00
Personal Service	\$2,052,888	\$2,072,790	\$(19,902)
Operating Expense	164,578	143,853	20,725
Total Expenses	<u>\$2,217,466</u>	<u>\$2,216,643</u>	<u>\$ 823</u>
<u>Funding</u>			
General Fund	<u>\$2,217,466</u>	<u>\$2,216,643</u>	<u>\$ 823</u>

Personal services were overspent due to an unanticipated high expense for salaries to retired judges who substituted while sitting judges were absent for extended illness or other reasons. The increase in personal service costs was paid for by reduced expenditures for operating costs. Operating costs were reduced by

foregoing budgeted expenses of \$16,000 for district judge continuing legal education training, and by reducing travel expenses nearly \$12,000 below the appropriation. Operating costs exceeded the budget by \$2,500 in insurance costs and by over \$4,000 in unbudgeted registration fees for judges.

Current Level Adjustments

No vacancy savings were taken in this program. Included in current level is \$25,000 as requested by the agency for payment of salaries to retired judges who substitute for sitting judges. Actual expenditure in fiscal 1986 was \$43,898. Operating expenses are increased by \$632 for insurance costs and by \$1,467 in fiscal 1988 and \$4,967 in fiscal 1989 for out-of-state travel by district judges for continuing legal education. The increase in travel in fiscal 1989 consists of training for newly elected district judges prior to assuming their judicial post. Current level is reduced \$3,337 at the agency's request for one-time expenditures for honorariums, computer processing, and printing costs.

WATER COURTS SUPERVISION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	13.50	13.50	13.50	13.50	0.00
Personal Service	\$298,157	\$331,839	\$328,941	\$328,302	4.3
Operating Expense	96,572	199,571	134,374	135,537	(8.9)
Equipment	12,157	17,500	-0-	-0-	(100.0)
Total Expenditures	\$406,886	\$548,910	\$463,315	\$463,839	(3.0)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
State Special Revenue	\$406,886	\$548,910	\$463,315	\$463,839	(3.0)
	=====	=====	=====	=====	=====

The Water Courts Supervision Program staff is responsible for the adjudication of claims of existing water rights in Montana and for supervision of the distribution of water among the four water divisions.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	13.50	13.50	0.00
Personal Service	\$331,469	\$298,157	\$ 33,312
Operating Expenses			
Contracted Services	74,616	1,926	72,690
Supplies and Materials	20,000	14,461	5,539
Communications	20,000	35,801	(15,801)
Travel	50,000	5,265	44,735
Rent	31,175	32,112	(937)
Repairs and Maintenance	15,000	4,853	10,147
Other Expenses	<u>3,000</u>	<u>2,154</u>	<u>846</u>
Total Operating Expenses	\$213,791	\$ 96,572	\$117,219
Equipment	<u>18,000</u>	<u>12,157</u>	<u>5,843</u>
Total Exp. and Funding	<u>\$563,260</u>	<u>\$406,886</u>	<u>\$156,374</u>

The budget for fiscal 1986 was not based on past expenditure patterns. The water court representatives said the 1983 and 1985 bienniums were difficult ones to base the fiscal 1986 and 1987 appropriations upon because they were just getting the process working. The comparison table shows that the expenditures for fiscal 1986 were again considerably under budget and varied significantly from the water courts' requested budget.

Personal services are less than the appropriation as the 2.0 FTE paraprofessional positions were only used about 30 percent of the fiscal year. The water masters' hours were down about 15 percent. The clerical positions were not fully utilized, but the water court paid overtime for 800 hours, which almost approximated the cost of having all clerical staff full time.

Current Level Adjustments

The following table indicates five years of appropriations for the water courts.

Table 7
Comparison of Water Court Budget to Actual Expenditures
Fiscal 1982 Through Fiscal 1986

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>Total</u>
Budgeted	\$235,522	\$276,023	\$418,330	\$929,875	\$563,260	\$2,423,010
Expended	<u>119,710</u>	<u>192,397</u>	<u>239,038</u>	<u>551,145</u>	<u>406,886</u>	<u>1,509,176</u>
Difference	<u>\$115,812</u>	<u>\$ 83,626</u>	<u>\$179,292</u>	<u>\$378,730</u>	<u>\$156,374</u>	<u>\$ 913,834</u>
Percent Expended	51	70	57	59	72	62

The appropriated amount has been consistently more than expenditures. For the last five years expenditures have averaged 62 percent of the appropriation. The current level budget for the 1989 biennium is based on a combination of the court's request for an appropriation increase that is not dependent upon past expenditures and upon fiscal 1986 actual costs.

Personal services continue the 13.50 FTE, including the water judge, 5.0 FTE water masters, 2.0 FTE paraprofessionals, and 5.50 FTE clerical positions. No overtime was included as there were more authorized FTE hours vacant than the 800 hours paid for overtime. Vacancy savings of 4 percent has been taken for this program. As the agency requested, there is \$5,000 of compensation for other water judges.

Operating expenses were increased essentially as requested by the agency, except for added expenses of additional staff who are not in the current level budget. Contract services provides for outside court reporting services for 50 days of both fiscal years as the agency expects the number of hearings to increase. Supplies increase for photocopying, gas, and office supplies. Communications increased \$10,600 for advertising legal notices for filings, and travel was increased from \$5,263 to \$15,789. This increase allows a considerable increase in travel, but is still below the \$30,000 requested. Building rent is inflated forward at the same rate as the rest of state government. Repairs and maintenance on vehicles was increased in proportion to the travel increase. Other expenses are not changed.

Equipment is budgeted at \$3,000 in each year. The agency represents that the work will be completed in the 1989 biennium so it did not seem prudent to purchase the large amount of equipment requested.

Funding

The water courts are funded from the water development state special revenue fund.

GOVERNOR'S OFFICE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	61.90	\$4,483,611	\$8,547,804
LFA Current Level	<u>62.90</u>	<u>4,259,910</u>	<u>8,703,325</u>
Executive Over (Under) LFA	<u>(1.00)</u>	<u>\$ 223,701</u>	<u>\$ (155,521)</u>

The executive recommendation includes 1.0 less FTE, \$223,701 more general fund and \$155,521 less total funds than LFA current level. The differences occur primarily in the Executive Office, Mansion Maintenance, the Office of Budget and Program Planning, the Northwest Power Planning Council, and the Lieutenant Governor's Office. The differences are described below in 8 issues.

ISSUE 1: UNFORESEEN EMERGENCIES

The executive budget includes \$76,000 of general fund in the Governor's Office budget for unforeseen emergencies. This is \$39,458 more than the amount included in the LFA current level.

ISSUE 2: MANSION MAINTENANCE

LFA current level transfers rent and grounds maintenance costs to the mansion maintenance budget from the general services budget in the Department of Administration in the 1989 biennium. This adds \$21,700 in fiscal 1988 and \$21,475 in fiscal 1989 general fund to the mansion budget, but removes approximately \$58,100 in the 1989 biennium from general services' budget for a statewide general fund savings of \$14,925.

The executive recommends keeping the executive residence costs in the general services budget.

ISSUE 3: STATEWIDE AUDIT COSTS

LFA current level assigns the costs of the statewide audit to the Office of Budget and Program Planning. This is expected to cost \$271,200 in the 1989 biennium. The funding for this audit is budgeted to be recovered from state agencies.

In the executive budget the legislative auditor is given general fund to cover the costs of the statewide audit.

In the 1987 biennium, the costs of the statewide audit were recovered partly from billing other state agencies and partly from the general fund.

ISSUE 4: POSITION CHANGES IN OFFICE OF BUDGET AND PROGRAM PLANNING

The executive budget contains 1.0 FTE and \$73,752 and \$72,928 more general fund in fiscal years 1988 and 1989, respectively, due to personal services differences from the LFA current level. The differences reflect variations for position vacancies and position incumbents. This is discussed in the program narrative for the Office of Budget and Program Planning.

ISSUE 5: NORTHWEST POWER PLANNING COUNCIL POSITIONS REDUCED

The executive budget deletes 2.0 FTE from the Northwest Power Planning Council at a federal funds savings of \$53,259 in fiscal 1988 and \$53,491 in fiscal 1989. LFA current level budget does not reduce the FTE.

These FTE reductions were made by the agency after the budget request had been submitted.

ISSUE 6: LIEUTENANT GOVERNOR PERSONAL SERVICES

The executive budget has \$28,613 higher personal services in the Lieutenant Governor's Office for the 1989 biennium than the amount included in the LFA current level. This is caused by the executive's recommendation to pay approximately \$32,000 annually in the 1989 biennium for a position budgeted by the 1985 legislature for approximately \$19,000 each year.

The current level budget includes funding for this position at the level approved by the 1985 legislature.

ISSUE 7: VACANCY SAVINGS ON ELECTED OFFICIALS

The executive budget has no vacancy savings for elected official positions in the Governor's Office. This caused the executive budget vacancy savings in the executive office and Lieutenant Governor's Office to be approximately \$6,700 lower than the amount included in LFA current level. The LFA current level applies vacancy savings to all positions in the executive office and Lieutenant Governor's Office.

ISSUE 8: UNIFORM STATE LAWS COMMISSION MEMBERSHIP

The executive budget has reduced \$8,109 of expenditures in the executive office relating to membership in the Uniform State Laws Commission and has transferred them to the Legislative Council. The Legislative Council has rejected this transfer. The LFA current level budget does not include these costs in either budget. The legislature needs to determine if membership in this commission is essential and, if so, the appropriate agency to participate.

GOVERNORS OFFICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	64.08	61.33	62.40	62.90	1.57
Personal Service	\$1,915,316	\$1,954,171	\$1,968,153	\$1,979,917	2.03
Operating Expense	910,065	1,332,430	1,081,748	1,061,533	(4.42)
Equipment	46,205	16,600	8,837	3,137	(80.93)
Total Operating Costs	\$2,871,586	\$3,303,201	\$3,058,738	\$3,044,587	(1.16)
Non-Operating Costs	-0-	-0-	1,300,000	1,300,000	0.0
Total Expenditures	\$2,871,586 =====	\$3,303,201 =====	\$4,358,738 =====	\$4,344,587 =====	40.95 =====
<u>Fund Sources</u>					
General Fund	\$2,229,960	\$2,212,916	\$2,136,569	\$2,123,341	(4.12)
State Special	63,847	238,220	1,590,000	1,590,000	952.75
Federal Revenue	504,029	778,315	496,569	495,646	(22.62)
Proprietary Funds	73,750	73,750	135,600	135,600	83.86
Total Funds	\$2,871,586 =====	\$3,303,201 =====	\$4,358,738 =====	\$4,344,587 =====	40.95 =====

The Governor has constitutional and statutory authority to administer the affairs of the State of Montana; assure that the laws of Montana are faithfully executed; appoint all military and civil officers of the state whose appointments are provided for by statute or the Constitution; approve or disapprove legislation; report to the legislature on the condition of the state; submit a biennial executive budget; grant reprieves and pardons within the best interests of Montana; serve on various boards and commissions as provided by the Constitution and statutes; and represent the state in relations with other governments, the public, and various organizations of states.

The Governor's Office consists of the Lieutenant Governor's Office responsible for performance of those duties prescribed by law and those delegated to him by the Governor; the Office of Budget and Program Planning, responsible for assisting the Governor in the planning, preparation, and the administration of the state budget; the Citizens' Advocate Office responsible for making state government more responsible and accessible to the citizens of Montana; the Mental Disabilities Board of Visitors responsible for reviewing patient care at Montana's institutions and community health centers; the Northwest Power and Planning Council responsible for the development of a twenty-year electric energy plan that will provide an efficient and adequate electric power supply for consumers in the Pacific Northwest and encourage conservation and development of natural resources; the Mansion Maintenance Program responsible for the Governor's household expenses; the Air Transportation Program which provides an airplane and pilot to the Governor's Office; and the Montana Statehood Centennial Office which is responsible for encouraging the commemoration and celebration of Montana's 100th anniversary of statehood in 1989.

The 1989 biennium current level budget provides an overall 41 percent increase in total expenditures caused by the inclusion of \$2.6 million of estimated grants in the statehood centennial office in the 1989 biennium.

Total operating costs are budgeted to decrease 1.2 percent from the 1987 biennium. The operating cost decrease is attributable to reduced operating expenses between fiscal 1987 and the 1989 biennium in the executive office, the Office of Budget and Program Planning, the Northwest Power Planning Council, and the Montana Statehood Centennial Office.

The current level budget increases full time equivalent positions 1.57 FTE in the 1989 biennium from the fiscal 1987 level. The fiscal 1987 FTE in the table reflect the adjustments the agency made in fiscal 1987 to respond to the 5 percent and pay plan funding cuts. The increased FTE between 1987 and 1989 results from adding 3.0 FTE in the Montana Statehood Centennial Office and eliminating 0.18 FTE in the executive office and 1.25 FTE in the Office of Budget and Program Planning.

General fund expenditures decrease 4.1 percent from the 1987 biennium to the 1989 biennium. State special revenue in the 1989 biennium represents funds from revenue raising activities for the Montana Statehood Centennial Office. Federal revenue includes funds to support the Citizens Assistance Program and Clark Fork River Project in the executive office, and the Northwest Power Planning Council.

Proprietary funds are for the statewide audit. This is discussed in the Office of Budget and Program Planning narrative.

EXECUTIVE OFFICE

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	24.68	23.18	23.00	23.00	(0.18)
Personal Service	\$ 758,612	\$ 753,843	\$ 740,235	\$ 739,705	(2.1)
Operating Expense	452,554	521,145	416,777	367,923	(19.4)
Equipment	4,824	-0-	5,700	-0-	18.2
Total Expenditures	<u>\$1,215,990</u>	<u>\$1,274,988</u>	<u>\$1,162,712</u>	<u>\$1,107,628</u>	<u>(8.9)</u>
<u>Fund Sources</u>					
General Fund	\$1,023,807	\$ 956,017	\$ 946,440	\$ 892,628	(7.1)
State Special	18,000	-0-	90,000	90,000	900.0
Federal Revenue	<u>174,183</u>	<u>318,971</u>	<u>126,272</u>	<u>125,000</u>	<u>(49.0)</u>
Total Funds	<u>\$1,215,990</u>	<u>\$1,274,988</u>	<u>\$1,162,712</u>	<u>\$1,107,628</u>	<u>(8.9)</u>

The Executive Office program is responsible for overseeing and directing the activities of the executive branch of government, insuring responsible and responsive government for Montana. Special projects assigned to the Executive Office in fiscal 1986 included the Flathead Basin Commission, Coal Tax Lobby Effort, Aging Services Coordinator, Client Assistance Program, and Clark Fork River Basin Project.

The current level budget provides a 8.9 percent decrease in the 1989 biennium from the 1987 biennium. Personal services decrease 2.1 percent as 1.68 FTE are removed by the agency from fiscal 1986 to fiscal 1988. Operating expenses decrease 19.4 percent. Most of that decrease is attributable to the discontinuation of coal tax lobby expenditures in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	24.50	24.68	(.18)
Personal Service	\$ 648,944	\$ 622,501	\$ 26,443
Operating Expense	276,196	235,442	40,754
Equipment	500	4,675	(4,175)
Total Operating Costs	<u>\$ 925,640</u>	<u>\$ 862,618</u>	<u>\$ 63,022</u>
Flathead Basin Commission	39,690	10,693	28,997
Coal Tax Lobby Effort	151,634	110,512	41,122
Aging Coordinator	39,002	39,983	(981)
Client Assistance Program	50,000	50,000	-0-
Clark Fork River Basin Project	269,000	87,847	181,153
Total Expenditures	<u>\$1,474,966</u>	<u>\$1,161,653</u>	<u>\$313,313</u>
<u>Funding</u>			
General Fund	\$1,154,293	\$1,023,806	\$130,487
Federal Revenue	320,673	137,847	182,826
Total Funds	<u>\$1,474,966</u>	<u>\$1,161,653</u>	<u>\$313,313</u>
<u>Additions</u>			
Clark Fork RIT	\$ 130,000	\$ 18,000	\$(112,000)
International Joint Comm-Cabin Ck	80,000	15,333	(64,667)
Citizen's Assistance	21,000	21,000	-0-
Total Additions	<u>\$ 231,000</u>	<u>\$ 54,333</u>	<u>\$(176,667)</u>

Fiscal 1986 actual expenditures were \$313,313 less than the legislative authorization. Savings were realized in personal services for the Executive Office due to vacancy savings. The Flathead Basin Commission appropriation was not fully spent in fiscal 1986 because it is a biennial appropriation. Three appropriations were added during fiscal 1986. Two of these were used to supplement the legislative appropriations: \$18,000 for the Clark Fork River Basin Project and \$21,000 for the Citizens Assistance Program. The third appropriation for \$80,000 was to allow Montana to participate in the International Joint Commission study of the transboundary water impacts of the proposed Cabin Creek coal mine.

Current Level Adjustments

Base operating costs do not include expenditures incurred with the additional appropriation authority. In addition, \$8,110 was removed from operating expenses as the costs relating to the Commission for Uniform State Laws were transferred to the Legislative Council. The Flathead Basin Commission was provided a \$39,690 biennial appropriation in the current level budget. The Clark Fork River Project was budgeted \$140,000 each fiscal year. This is funded \$50,000 each year from federal funds and \$90,000 annually from RIT funds, contingent upon approval from the 1987 legislature. The Client Assistance Program was budgeted \$75,000 each year of the 1989 biennium.

The total budgeted for dues was \$54,190 in fiscal 1988 and \$55,690 in fiscal 1989.

The current level budget provides \$5,700 for a personal computer to replace a System 6 word processing system. Maintenance costs for the System 6 totaling \$4,700 was removed from current level and \$500 each year was added for maintenance on the personal computer.

Legislative audit fees of \$12,000 is included in fiscal 1988.

MANSION MAINTENANCE PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	2.15	1.90	1.90	1.90	0.00
Personal Service	\$33,503	\$35,071	\$37,083	\$37,119	8.2
Operating Expense	21,847	21,771	44,340	45,043	104.9
Equipment	170	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$55,520</u>	<u>\$56,842</u>	<u>\$81,423</u>	<u>\$82,162</u>	<u>45.6</u>
<u>Fund Sources</u>					
General Fund	<u>\$55,520</u>	<u>\$56,842</u>	<u>\$81,423</u>	<u>\$82,162</u>	<u>45.6</u>

The Mansion Maintenance Program provides housing maintenance for the Governor's official residence.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	2.15	2.15	0.00
Personal Service	\$38,186	\$33,503	\$4,683
Operating Expense	20,388	21,847	(1,459)
Equipment	<u>300</u>	<u>170</u>	<u>130</u>
Total Expenditures	<u>\$58,874</u>	<u>\$55,520</u>	<u>\$3,354</u>

Personal services were less than appropriated due to vacancy savings. Operating expenses exceeded the appropriation primarily because \$1,248 was expended for contracted services to maintain the alarm system at the mansion. This expense was not budgeted.

Current Level Adjustments

As requested by the agency a 0.25 FTE maintenance position was not continued in the 1989 biennium. Operating expenses were reduced \$454 for a one-time telephone move in fiscal 1986.

Rent and ground maintenance services for the mansion, which are provided by general services and the Department of Fish, Wildlife and Parks, are allocated to this program for the 1989 biennium. This move accurately reflects the cost of maintaining the Governor's mansion. The charges are \$21,700 in fiscal 1988 and \$21,475 in fiscal 1989. No equipment was requested.

AIR TRANSPORTATION

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	1.00	1.00	1.00	1.00	0.00
Personal Service	\$31,935	\$ 30,753	\$32,418	\$32,546	3.6
Operating Expense	59,009	75,155	63,444	66,792	(2.9)
Equipment	199	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$91,143</u>	<u>\$105,908</u>	<u>\$95,862</u>	<u>\$99,338</u>	<u>(0.9)</u>
<u>Fund Sources</u>					
General Fund	<u>\$91,143</u>	<u>\$105,908</u>	<u>\$95,862</u>	<u>\$99,338</u>	<u>(0.9)</u>

The Air Transportation Program is responsible for providing the Governor with safe and reliable air transportation.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	1.00	1.00	0.00
Personal Service	\$30,727	\$31,935	\$(1,208)
Operating Expense	64,201	59,009	5,192
Equipment	-0-	199	(199)
Total Exp and Gen Fund	<u>\$94,928</u>	<u>\$91,143</u>	<u>\$ 3,785</u>

Personal services were overexpended as there was no vacancy savings. Operating expenses were less than anticipated as savings were possible in insurance costs, contract pilot expenses, and gasoline.

Current Level Adjustment

Current level adjustments include a \$5,725 base adjustment for insurance costs, making the annual cost \$10,005. Aircraft maintenance costs are budgeted at \$28,152

in fiscal 1988 and \$30,129 in fiscal 1989 which reflects the agency's request.

Personal services are maintained with 4 percent vacancy savings. No equipment was requested.

OFFICE OF BUDGET AND PROGRAM PLANNING

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal <u>1986</u>	Fiscal <u>1987</u>	Fiscal <u>1988</u>	Fiscal <u>1989</u>	1987-89 <u>Biennium</u>
F.T.E.	18.25	17.25	15.50	16.00	(1.25)
Personal Service	\$523,504	\$556,809	\$495,159	\$507,726	(7.2)
Operating Expense	176,609	212,922	252,158	275,956	35.6
Equipment	<u>39,168</u>	<u>-0-</u>	<u>2,137</u>	<u>2,137</u>	<u>(89.1)</u>
Total Expenditures	<u>\$739,281</u>	<u>\$769,731</u>	<u>\$749,454</u>	<u>\$785,819</u>	<u>1.7</u>
<u>Fund Sources</u>					
General Fund	\$665,531	\$695,981	\$613,854	\$650,219	(7.2)
Proprietary Funds	<u>73,750</u>	<u>73,750</u>	<u>135,600</u>	<u>135,600</u>	<u>83.9</u>
Total Funds	<u>\$739,281</u>	<u>\$769,731</u>	<u>\$749,454</u>	<u>\$785,819</u>	<u>1.7</u>

The Office of Budget and Program Planning assists the Governor in the planning, preparation, and administration of the state budget; the development and evaluation of alternative program plans for the provision of state government services; and the examination of methods of providing services to the citizens of Montana.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature*</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	18.25	18.25	0.00
Personal Service	\$577,598	\$523,504	\$ 54,094
Operating Expense	86,814	167,332	(80,518)
Equipment	-0-	39,168	(39,168)
Total Operating Costs	\$664,412	\$730,004	\$(65,592)
Non-Operating Costs	73,750	-0-	73,750
Total Expenditures	<u>\$738,162</u>	<u>\$730,004</u>	<u>\$ 8,158</u>
<u>Funding</u>			
General Fund	\$664,412	\$656,254	\$ 8,158
Agency Fund	73,750	73,750	-0-
Total Funds	<u>\$738,162</u>	<u>\$730,004</u>	<u>\$ 8,158</u>

*Does not include the \$14,000 legislative audit in which \$4,725 was not expended.

Personal services with no vacancy savings were budgeted to cost \$611,244 or \$87,740 more than the \$523,504 spent in fiscal 1986. The program had been given \$23,694 of vacancy savings which was 4 percent. The program used 18.3 percent less hours than budgeted. The table shows a difference of \$54,094 rather than \$87,740 due to the \$23,694 of budgeted vacancy savings and a \$9,952 reduction the program allocated to personal services in the Governors 2 percent cut. In addition there were two positions upgraded from a grade 15 to a grade 16. On an annual basis this will add about \$9,600 to the budget. Operating expenses were \$80,518 above the appropriation after it was adjusted down \$3,750 due to the Governor's 2 percent cut. The primary area of overexpenditure was in contracted services. The agency recorded the statewide audit costs of \$73,750 billed by the Legislative Auditor as an operating expense rather than a non-operating cost. In addition, contracted services exceeded the budget for computer related services by approximately \$4,200, contracted printing was up about \$800, and microfilm services not previously used cost \$699.

No equipment was budgeted, but \$39,168 was spent on computers and computer software. This was possible due to the 18 percent vacancy savings.

Current Level Adjustments

Personal services are reduced by 1.75 FTE in fiscal 1988 and 1.25 FTE in fiscal 1989. The agency requested a 0.25 FTE grade 6 administrative clerk position be eliminated and that half of a grade 8 word processor operator III be deleted for non-session years. A grade 21 career executive which has not been filled for one

and one-half years has also been eliminated. Overtime is budgeted as requested at \$500 in fiscal 1988 and \$4,000 in fiscal 1989.

Statewide audit costs totaling \$271,200 are included in the 1989 biennium and are funded from the proprietary fund. These costs are borne by the Legislative Auditor's office but the responsibility of collecting the proprietary revenue rests with the Office of Budget and Program Planning.

The cost distribution to state agencies is proposed by the Legislative Auditor and the budget director to be worked out during the 1987 legislative session and placed in substantive law for the 1989 biennium. At the time this analysis was prepared, the Legislative Audit Committee had not given final approval to the proposal. They are expected to act on the proposal in early January 1987.

NORTHWEST POWER PLANNING COUNCIL

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	\$237,536	\$241,449	\$252,860	\$252,889	5.6
Operating Expense	90,499	213,695	116,437	116,757	(23.3)
Equipment	1,811	4,200	1,000	1,000	(66.7)
Total Expenditures	\$329,846 =====	\$459,344 =====	\$370,297 =====	\$370,646 =====	(6.1) =====
Fund Sources					
Federal Revenue	\$329,846 =====	\$459,344 =====	\$370,297 =====	\$370,646 =====	(6.1) =====

The Northwest Power Planning Council was created in 1981, pursuant to the Pacific Northwest Electric Power Planning and Conservation Act of 1980. The council conducts regional electrical energy planning, directs fish and wildlife restoration in the Columbia River Basin, and reviews actions taken by the Bonneville Power Administration. The council is a regional agency made up of eight members, two each from the Pacific Northwest states of Montana, Idaho, Oregon, and Washington. These members are appointed by governors of the four states and approved by the respective state legislatures. Funding is provided by the Bonneville Power Administration.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	7.00	7.00	0.00
Personal Service	\$241,055	\$237,536	\$ 3,519
Operating Expense	192,387	90,499	101,888
Equipment	<u>4,000</u>	<u>1,811</u>	<u>2,189</u>
Total Costs and Fed Revenue	<u>\$437,442</u>	<u>\$329,846</u>	<u>\$107,596</u>

Personal services were slightly under the appropriation due to vacancy savings. Some of the savings were offset by the upgrade for a program specialist grade 13 to an administrative officer grade 16. The upgrade will increase costs approximately \$6,500 a year.

Operating expenses were less primarily due to not spending \$87,301 in contract services, and \$17,636 in other expenses. Part of these savings were offset by a \$5,429 increase in travel. Contract services were about \$80,000 less due to not utilizing consultant and professional services and the remainder was less due primarily to printing. The other expenses were down as no indirect and administrative expenses were paid.

Current Level Adjustments

The current level budget reflects the agency request with 4 percent vacancy savings. Significant changes from fiscal 1986 are increasing consultant and professional services from \$8,039 to \$25,275. This increase is to enable the council to retain the services of experts with specialized skills in the areas of electric energy planning, conservation technology, and fish and wildlife protection and restoration.

Out of state travel was increased \$4,621 as the council anticipates increases in both the volume and the cost of travel in the 1989 biennium.

LIEUTENANT GOVERNOR'S OFFICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	\$191,251	\$188,313	\$186,607	\$186,461	(1.7)
Operating Expense	<u>36,847</u>	<u>40,283</u>	<u>37,291</u>	<u>37,492</u>	<u>(3.0)</u>
Total Expenditures	<u>\$228,098</u>	<u>\$228,596</u>	<u>\$223,898</u>	<u>\$223,953</u>	<u>(1.9)</u>
Fund Sources					
General Fund	<u>\$228,098</u>	<u>\$228,596</u>	<u>\$223,898</u>	<u>\$223,953</u>	<u>(1.9)</u>

The Lieutenant Governor's Office is responsible for carrying out duties prescribed in Article VI, Section 4, of the Montana Constitution. This office serves as the liaison between state and local governments and supervises the clearinghouse review process.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	6.00	6.00	0.00
Personal Service	\$187,714	\$191,251	\$(3,537)
Operating Expense	<u>43,843</u>	<u>36,847</u>	<u>6,996</u>
Total Costs & Gen Fund	<u>\$231,557</u>	<u>\$228,098</u>	<u>\$3,459</u>

Personal services in the Lieutenant Governor's Office was overexpended as one position was paid considerably more than requested by the agency or approved by the 1985 legislature. This position was budgeted at an approximate annual salary of \$19,500 and was paid approximately \$32,000.

Operating expenses were \$6,996 less than appropriated even after reducing the appropriation by \$4,726 for the 2 percent cut. There were savings in all expenditure

categories with rent being the only expenditure category very close to the amount budgeted.

Current Level Adjustments

The salary for the position paid at the higher-than-budgeted rate in fiscal 1986 was reduced to the level requested for the 1987 biennium with an allowance for pay plan through the fiscal 1986 level. All other expenditures are continued at current level.

CITIZENS' ADVOCATE OFFICE

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	1.00	1.00	1.00	1.00	0.00
Personal Service	\$32,573	\$31,306	\$31,576	\$31,518	(1.2)
Operating Expense	<u>16,065</u>	<u>19,238</u>	<u>16,052</u>	<u>16,052</u>	<u>(9.1)</u>
Total Expenditures	<u>\$48,638</u>	<u>\$50,544</u>	<u>\$47,628</u>	<u>\$47,570</u>	<u>(4.0)</u>
<u>Fund Sources</u>					
General Fund	<u>\$48,638</u>	<u>\$50,544</u>	<u>\$47,628</u>	<u>\$47,570</u>	<u>(4.0)</u>

The Citizens' Advocate Office exists to provide accessibility to state government for Montana citizens. The office provides information to citizens and acts as a referral service to state agencies. A toll free number is provided citizens for this purpose.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	1.00	1.00	0.00
Personal Service	\$31,279	\$32,573	\$(1,294)
Operating Expense	<u>16,660</u>	<u>16,065</u>	<u>595</u>
Total Costs and General Fund	<u>\$47,939</u>	<u>\$48,638</u>	<u>==\$(699)</u>

Personal services were overexpended as there was no vacancy savings. The overexpenditure was covered by a program transfer from the executive office program.

Current Level Adjustments

Current level is maintained with 4 percent vacancy savings and minor charges resulting in a \$13 decrease in operating expenses.

BOARD OF VISITORS

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 79,844	\$ 90,093	\$ 89,956	\$ 89,891	5.8
Operating Expense	37,346	33,660	37,508	37,580	5.7
Equipment	<u>33</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$117,223</u>	<u>\$123,753</u>	<u>\$127,464</u>	<u>\$127,471</u>	<u>5.8</u>
<u>Fund Sources</u>					
General Fund	<u>\$117,223</u>	<u>\$123,753</u>	<u>\$127,464</u>	<u>\$127,471</u>	<u>5.8</u>

The Board of Visitors is a five-member board which is charged with the responsibility of monitoring the condition and activities of various state mental health facilities. Section 2-15-211, MCA, outlines the composition of the five-member board. The statute states that the board shall consist of a consumer representing the developmentally disabled, a consumer representing the mentally ill, and professionals representing, but not limited to, the behavioral sciences or doctors of medicine.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 6
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	3.00	3.00	0.00
Personal Service	\$ 87,503	\$ 79,844	\$7,659
Operating Expense	38,932	37,346	1,586
Equipment	-0-	33	(33)
Total Costs and General Fund	<u>\$126,435</u>	<u>\$117,223</u>	<u>\$9,212</u>

Personal service expenditures were less than anticipated as the program had over 8 percent vacancy savings. The operating expense savings was primarily in less rent paid to the Department of Administration than budgeted.

Current Level Adjustments

The budget is continued at the fiscal 1986 base operating level. Four percent vacancy savings is applied to the personal services budget.

MONTANA STATEHOOD CENTENNIAL OFFICE

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	1.00	1.00	4.00	4.00	3.00
Personal Service	\$26,558	\$ 26,534	\$ 102,259	\$ 102,062	284.8
Operating Expense	19,289	199,286	97,741	97,938	(10.5)
Equipment	-0-	12,400	-0-	-0-	(100.0)
Total Operating Costs	\$45,847	\$238,220	\$ 200,000	\$ 200,000	40.8
Non-Operating Costs	-0-	-0-	1,300,000	1,300,000	0.0
Total Expenditures	<u>\$45,847</u>	<u>\$238,220</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>956.1</u>
<u>Fund Sources</u>					
State Special	<u>\$45,847</u>	<u>\$238,220</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>956.1</u>

The 1985 Legislature passed House Bill 873 authorizing the creation of the Montana Statehood Centennial Office to:

- (a) encourage the commemoration and celebration of Montana's 100th anniversary of statehood on November 8, 1989, by fostering community, statewide, and regional activities and by focusing national and international attention on the Treasure State;
- (b) administer Montana statehood centennial activities which include but are not limited to educational, cultural, recreational, and promotional programs; and
- (c) create a Montana Statehood Centennial Commission to advise on centennial activities.

The office is administered by the Lieutenant Governor who is authorized to hire staff to support and administer statehood measures to fund the activities of the office. Senate Bill 380 established a centennial acre for which symbolic deeds are sold at \$10 per square inch. Senate Bill 419 provides that special commemorative centennial license plates may be issued for an amount in excess of the charge for regular license plates, with the proceeds from the excess charge to be used for Montana's statehood centennial commemoration. A loan of \$238,220 was provided to the commission with the funding from \$119,110 in loans from the crime victim's compensation account and \$119,110 from the junk vehicle disposal account. These loans are to be paid back by revenues generated from centennial activities.

The budget for fiscal 1987 is shown according to the program's operational plan. Fiscal 1988 and 1989 are as requested by the agency. All funds are from donations and centennial revenue-raising projects.

The 1989 biennium budget provides for 4.0 FTE staff. No vacancy savings was taken. Grants represent the entire amount allocated for as yet undetermined Montana centennial activities. These may take the form of grants or contracts with local or regional entities, or may be transferred into office operations to fund office sponsored or directed activities.

As this program has a large amount of spending authority which does not have very specific commitments or firm revenue to support the appropriation level requested, it would be consistent with prior legislative action not to allow any FTE or spending authority transfers out of this program.

SECRETARY OF STATE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	28.5	\$1,539,038	\$2,372,745
LFA Current Level	<u>28.5</u>	<u>1,529,585</u>	<u>2,291,825</u>
Executive Over (Under) LFA	<u>0.00</u>	<u>\$-----9,453</u>	<u>\$-----80,920</u>

The executive budget is \$80,920 above LFA current level. The difference in total funds is primarily due to higher operating costs of \$78,240 in the executive budget. The executive budget operating expenses exceed LFA current level by \$67,000 in contract services, \$4,500 in communications (largely postage), and by \$5,740 in minor adjustments in other categories.

The majority of differences in contract services are in two areas. The executive budget included a biennial increase in computer processing and data services charges of over \$79,000 in anticipation of expanded requirements for the Agricultural Lien Program. The estimate of costs for the new reporting requirements, precipitated by passage of the federal farm bill, are based on very rough estimates of demand and are as yet untested. The costs will be better estimable after the agency begins to incur actual costs of the new requirements in December 1986. Better estimates should be available during the 1987 legislative session. LFA current level allowed an increase of \$30,900 over fiscal 1986 level after applying deflation factors. The increase included in the executive budget exceeds LFA current level by \$48,100.

The second major difference in contract services was in printing in the Administrative Records Program. The executive budget included an increase of \$11,260 for contract printing of updates to the Montana Administrative Register and the Administrative Rules Manuals. LFA current level does not include the increase.

SECRETARY OF STATE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	35.00	31.00	28.50	28.50	(2.5)
Personal Service	\$ 677,723	\$ 663,509	\$ 616,016	\$ 615,390	(8.2)
Operating Expense	460,024	485,713	487,108	446,111	(1.3)
Equipment	16,435	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$1,154,182	\$1,149,222	\$1,103,124	\$1,061,501	(6.0)
Non-Operating Costs	30,600	30,000	63,600	63,600	109.9
Total Expenditures	<u>\$1,184,782</u>	<u>\$1,179,222</u>	<u>\$1,166,724</u>	<u>\$1,125,101</u>	<u>(3.1)</u>
<u>Fund Sources</u>					
General Fund	\$ 861,923	\$ 866,887	\$ 763,721	\$ 765,864	(11.5)
State Special	322,859	312,335	403,003	359,237	20.0
Total Funds	<u>\$1,184,782</u>	<u>\$1,179,222</u>	<u>\$1,166,724</u>	<u>\$1,125,101</u>	<u>(3.1)</u>

The Office of the Secretary of State was established by Article VI, Section 1, of the Montana Constitution and its duties are set forth in Title 2, Part 4, of the Montana Code Annotated (MCA). It is primarily a record keeping office which files, maintains, and preserves the permanent records of the state and certain public interest records of private citizens. The office also publishes the Montana Administrative Register (MAR) and the Administrative Rules of Montana (ARM).

The reduction of 2.5 FTE was in the Records Management Program. The agency deleted 1.50 office clerk positions and a 1.0 administrative aide position. Automating the recordkeeping functions is largely completed, allowing for production efficiency and a reduction in FTE. Operating expenses were decreased in the Records Management Program due to removal of one-time expenses for systems development and completion of a Uniform Commercial Code microfilming project, but the decreases were nearly offset by increases in Agricultural Lien Program costs and in the Administrative Records Program for a reprint of the ARMS manual. Non-operating costs increase due to the resumption of the requirement that the general fund pay for costs associated with the free distribution of ARMS to state agencies. The requirement was eliminated in Special Session III for fiscal 1987 only. Non-operating costs also increase due to the requirement implemented in fiscal 1987 for payment of filing fees to counties associated with the new Agricultural Lien Program administered by the Secretary of State.

General fund requirements are reduced 11.5 percent due to the personal services reduction and the allocation of overhead cost to the expanded Agricultural Lien Program.

RECORDS MANAGEMENT PROGRAM

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - -</u>		<u>% Change 1987-89 Biennium</u>
			<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	
F.T.E.	31.50	27.50	25.00	25.00	(2.5)
Personal Service	\$590,197	\$ 577,972	\$531,132	\$530,617	(9.1)
Operating Expense	389,855	398,269	378,442	377,789	(4.0)
Equipment	15,261	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$995,313	\$ 976,241	\$909,574	\$908,406	(7.8)
Non-Operating Costs	-0-	30,000	33,000	33,000	120.0
Total Expenditures	\$995,313 =====	\$1,006,241 =====	\$942,574 =====	\$941,406 =====	(5.9) =====
<u>Fund Sources</u>					
General Fund	\$831,323	\$ 859,387	\$733,121	\$735,264	(13.1)
State Special	163,990	146,854	209,453	206,142	33.7
Total Funds	\$995,313 =====	\$1,006,241 =====	\$942,574 =====	\$941,406 =====	(5.9) =====

The Records Management Program provides statutorily required services relating to elections, filing of corporate records, and custodianship of the state's official documents. The program also administers the Agricultural Lien Program, a centralized filing and access system for security interests covering agricultural products and property.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 1 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses
Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	31.50	31.50	0.00
Personal Service	\$ 615,020	\$590,197	\$ 24,823
Operating Expense	515,761	389,855	125,906
Equipment	30,000	15,261	14,739
Total Expenditures	<u>\$1,160,781</u>	<u>\$995,313</u>	<u>\$165,468</u>
<u>Funding</u>			
General Fund	\$ 895,237	\$831,323	\$ 63,914
State Special Revenue	265,544	163,990	101,554
Total Funds	<u>\$1,160,781</u>	<u>\$995,313</u>	<u>\$165,468</u>

Personal services expenditures were less than appropriated as an administrative assistant was not filled and office clerk positions were not fully utilized. These savings were offset partially by \$6,103 of compensation for terminations, and \$13,456 of the 2 percent cut being made to personal services.

Operating expenses are \$126,000 less than appropriated primarily due to contract services being \$137,000 less and postage being \$11,000 higher.

Equipment of \$2,000 had been appropriated from the general fund, but was eliminated under the two percent cut. However, the agency spent general fund of \$5,441 on multi-use computers and \$2,633 on office equipment. The Agriculture Lien Program purchased \$6,648 of multi-user computers and \$539 of office equipment, which was \$22,813 less than the \$30,000 budgeted for equipment.

The Agricultural Lien Program did not spend \$101,554 of its appropriation. Senate Bill 129 established a centralized filing system for security interests covering agricultural products, provided for computer data to be searchable by private computers, and provided that the costs of developing the computer program and the costs of running the program be recovered by charging the users a fee for accessing the system. Revenues collected totaled \$208,915 or \$56,629 less than the appropriation level. Of the revenue collected \$44,928 was not expended.

Current Level Adjustments

There are two distinct programs within the Records Management Program--Records Management and the Agricultural Lien Program. Table 2 shows the changes in current level from fiscal 1986 to fiscal 1988 by sub-program.

Table 2
Current Level Changes by Sub-program

Budget Item	- - - - Records Management - - - - -			- - - - Agricultural Lien - - - - -		
	1986 Actual	1988 C/L	Inc/Dec.	1986 Actual	1988 C/L	Inc/Dec.
FTE	26.50	22.00	(4.50)	5.00	3.00	(2.00)
Personal Services	\$518,930	\$475,538	\$(43,392)	\$71,267	\$55,594	\$(15,673)
Contract Services	187,954	164,716	(23,238)	63,662	87,092	23,430
Supplies/Materials	28,560	23,672	(4,888)	7,688	8,611	923
Communications	46,787	35,609	(11,178)	6,254	12,949	6,695
Travel	10,398	8,825	(1,573)	3,602	3,210	(392)
Rent	21,803	18,503	(3,300)	3,096	6,728	3,632
Repair & Maintenance	5,384	3,814	(1,570)	852	1,387	535
Other Expenses	3,436	2,444	(992)	379	882	503
Total Operating Exp.	\$304,322	\$257,583	\$(46,739)	\$85,533	\$120,859	\$ 35,326
Equipment	\$ 8,074	\$ -0-	\$ (8,074)	\$ 7,187	\$ -0-	\$ (7,187)
Non-Operating Cost	-0-	-0-	-0-	-0-	33,000	33,000
Total Expenditures	<u>\$831,326</u>	<u>\$733,121</u>	<u>\$(98,205)</u>	<u>\$163,987</u>	<u>\$209,453</u>	<u>\$ 45,466</u>
Fund Sources						
General Fund	\$831,326	\$733,121	\$(98,205)	\$ -0-	\$ -0-	\$ -0-
State Special	-0-	-0-	-0-	163,987	209,453	45,466
Total Funds	<u>\$831,326</u>	<u>\$733,121</u>	<u>\$(98,205)</u>	<u>\$163,987</u>	<u>\$209,453</u>	<u>\$ 45,466</u>

The table shows an 11.8 percent decrease in the Records Management Program and a 27.7 percent increase in the Agricultural Lien Program. In general, the decreases in the Records Management Program are due to three factors: 1) the elimination of start-up FTE, operating expenses, and equipment for the Uniform Commercial Code microfilming project; 2) elimination of additional FTE and operating expenses due to automation and system improvements; and 3) reallocation of overhead costs from the records management to the agricultural liens as a result of the growth in the Agricultural Lien Program. Increases in the Agricultural Loan Program can be attributed to these factors: 1) increased reporting requirements and volume in the program primarily due to new requirements of the Federal Farm Bill; 2) assumption of a larger share of the allocation of overhead costs of the two programs due to this program's relative growth; and 3) the added requirement that the program pay recording fees to the counties for the agricultural lien transactions. The increases were only partially offset by the elimination of 3.0 FTE authorized by the legislature in fiscal 1986 as start-up costs, and the elimination of start-up equipment costs.

A detailed current level explanation follows, and is broken down into three categories: personal services, operating expenses, and equipment.

A. FTE and Personal Services

A net total of 6.5 FTE positions were deleted from current level in fiscal 1988. In the Agricultural Lien Sub-program, 3.0 FTE data entry operators were deleted, as the positions were hired for program start-up. A 1.0 FTE administrative aide position was added to the program. In the Records Management Sub-program, 4.5 FTE were deleted, including 1.0 FTE as a one-time start-up cost of the UCC microfilming program, a 0.5 FTE clerk position deleted in fiscal 1986 as a result of automation, and 0.5 FTE data entry operator deleted from the Corporations Bureau as part of the five percent cuts. An additional 2.5 FTE, including a 1.0 FTE administrative aide and 1.5 FTE office clerks, were eliminated at the agency's request.

B. Operating Expenses

Operating expenses are increased \$35,094 for microfilm, \$23,895 for computer processing costs, and \$4,232 for photocopying, primarily due to increased reporting requirements, volume and demand in the Agricultural Lien Program. The costs of the program are to be recovered by user fees. Current level is increased in fiscal 1988 only for audit costs of \$8,100 and for added printing costs of \$18,900 for required publications, including the biennial voter information pamphlet.

Decreases in operating expenses include \$41,860 in microfilming costs for one-time expenditures to convert Uniform Commercial Code documents to microfilm, \$19,630 in one-time system development costs for the Agricultural Lien Program, and \$3,200 in postage costs. At the agency's request, other operating expense reductions include legal fees, \$1,350, printing costs, \$5,748, advertising, \$1,288, rent, \$1,650, maintenance on computer equipment, \$987, and travel cost reductions of \$1,964 in fiscal 1988 and an additional \$6,827 in fiscal 1989. Other minor adjustments resulted in a net reduction of current level of \$1,303, and inflation factors resulted in a net reduction in spending authority of \$3,756 in fiscal 1988 and \$4,617 in fiscal 1989.

Non-operating costs are \$33,000 in each year for pass-through of agricultural lien recording fees to county clerk and recorders.

C. Equipment

No equipment was requested in the 1989 biennium.

ADMINISTRATIVE CODE PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	3.50	3.50	3.50	3.50	0.0
Personal Service	\$ 87,526	\$ 85,537	\$ 84,884	\$84,773	(2.0)
Operating Expense	70,169	77,444	108,666	68,322	19.9
Equipment	1,174	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$158,869	\$162,981	\$193,550	\$153,095	7.7
Non-Operating Costs	30,600	-0-	30,600	30,600	100.0
Total Expenditures	<u>\$189,469</u>	<u>\$162,981</u>	<u>\$224,150</u>	<u>\$183,695</u>	<u>15.7</u>
Fund Sources					
General Fund	\$ 30,600	\$ -0-	\$ 30,600	\$ 30,600	100.0
State Special	158,869	162,981	193,550	153,095	7.7
Total Funds	<u>\$189,469</u>	<u>\$162,981</u>	<u>\$224,150</u>	<u>\$183,695</u>	<u>15.7</u>

The Administrative Code Program is responsible for filing, publishing, and distributing Administrative Rules of Montana developed for the operation of state agencies.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 3 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Operating expenses were \$7,649 less than anticipated primarily due to contract services, which were \$16,041 less than the appropriations. The underexpenditure was caused by decreased printing of \$6,300; data processing development costs of \$4,900; none of the \$2,500 legislative audit biennial appropriation being expended in fiscal 1986; and other cost decreases of approximately \$2,400. However, some of the dollars saved in contract services were used for \$3,200 more supplies; phone cost of \$1,300 for equipment charges and long distance; rent of a vehicle for \$700, repairs and maintenance on office equipment of \$1,200, and other expenses of \$650 for dues, subscriptions, and registration fees for training conferences.

No equipment had been budgeted, but \$860 was expended on a multi-user computer and \$314 was expended on office equipment.

The amount of general fund transferred into the state special revenue account was decreased for part of the agency's two percent reduction in fiscal 1986. The Montana Administrative Procedures Act provides that the Secretary of State supply copies of the Register and ARM updates to a variety of local, state, and federal government offices. Section 2-4-312, MCA, states that the cost of these "free"

subscriptions "must be paid by appropriation from the general fund." In Special Session III, the legislature eliminated this general fund transfer to the state special revenue fund for fiscal 1987.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.50	3.50	0.00
Personal Service	\$ 85,689	\$ 87,526	\$(1,837)
Operating Expense	77,818	70,169	7,649
Equipment	-0-	1,174	(1,174)
Total Operating Costs	\$163,507	\$158,869	\$ 4,638
Transfers	31,110	30,600	510
Total Expenditures	<u>\$194,617</u>	<u>\$189,469</u>	<u>\$ 5,148</u>
<u>Funding</u>			
General Fund	\$ 31,110	\$ 30,600	\$ 510
State Special	163,507	158,869	4,638
Total Funds	<u>\$194,617</u>	<u>\$189,469</u>	<u>\$ 5,148</u>

Current Level Adjustments

Operating expenses were reduced from current level for one-time phone systems costs of \$1,176, long distance phone costs of \$1,249, and other minor adjustments of \$1,661. Operating expenses increase \$1,371 for building rent due primarily to program reallocation. Increases in fiscal 1988 only are for audit fees of \$2,700 and \$37,900 for printing and binding expenses to print 100 new sets of the ARM manual for resale. Inflation factors result in increases of \$666 in fiscal 1988 and \$256 in fiscal 1989. Non-operating costs of \$30,600 each year are for general fund reimbursement of the state special revenue fund for the cost of free distribution of ARMS updates to certain state agencies. No equipment was requested in the 1989 biennium.

COMMISSIONER OF POLITICAL PRACTICES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	4.75	\$297,336	\$298,736
LFA Current Level	<u>3.75</u>	<u>238,500</u>	<u>240,100</u>
Executive Over (Under) LFA	<u>1.00</u>	<u>\$ 58,836</u>	<u>\$ 58,636</u>

The executive budget is \$58,636 above LFA current level. The difference in total funds is primarily due to the elimination of an administrative officer (accountant) position for a biennium savings of \$58,000. Additionally, the executive budget reduced personal services \$10,750 for vacancy savings and funded operating costs \$11,365 higher than LFA current level.

ISSUE 1: ADMINISTRATIVE OFFICER

The executive budget funds a vacant position for an administrative officer (accountant). The position was eliminated from LFA current level for a biennium savings of \$58,000 because the position was vacated at the beginning of fiscal 1987 as part of the five percent cut and the duties of the position were assumed by an administrative assistant. The agency had also operated for the last six months in fiscal 1986 with an administrative aide position vacant.

ISSUE 2: VACANCY SAVINGS

The executive budget has reduced the budget for 4 percent vacancy savings or \$10,750. The LFA policy was to take no vacancy savings in agencies of less than 20 FTE.

ISSUE 3: RENT

The executive budget includes \$4,900 more for building and copy machine rent. LFA current level includes building rent at the fiscal 1986 level plus inflation. The square footage of space rented does not change in the 1987 biennium. LFA current level for copy machine rental is at the monthly rate of \$165 as quoted by Department of Administration Publications and Graphics, or \$3,960 for the biennium.

ISSUE 4: TRAVEL

The executive budget includes \$1,550 for travel than LFA current level of \$600. The agency has been appropriated funds annually since 1981 to do field audits, but has never conducted any audits since its inception. The agency has not spent over \$300 in any prior year for travel.

ISSUE 5: PRINTING

The executive budget includes approximately \$4,100 more than the LFA current level for printing. The agency has since 1984 been appropriated substantially more for printing than it expended, and the 1989 biennium budget request includes items requested in the fiscal 1986 budget that were not printed.

COMMISSIONER OF POLITICAL PRACTICES					
Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	4.75	4.75	3.75	3.75	(1.00)
Personal Service	\$125,198	\$123,951	\$105,362	\$105,338	(15.4)
Operating Expense	14,503	14,263	16,205	13,195	2.2
Total Expenditures	\$139,701 =====	\$138,214 =====	\$121,567 =====	\$118,533 =====	(13.6) =====
Fund Sources					
General Fund	\$139,653	\$137,264	\$120,767	\$117,733	(13.9)
State Special	48	950	800	800	60.3
Total Funds	\$139,701 =====	\$138,214 =====	\$121,567 =====	\$118,533 =====	(13.6) =====

The purpose of the Commissioner of Political Practices Office is to establish consistent requirements for the full disclosure and reporting of the source and disposition of funds used in Montana to support or oppose state and local candidates, political committees, or political issues. The commissioner's office is also responsible for enforcing the election and campaign finance laws and the provisions of the Montana Lobbyist Disclosure Act. In addition, the Commissioner is responsible for publishing and disseminating a number of election-related reports, forms, and manuals as provided in Title 13, Chapter 37, MCA.

The budget decreases 13.6 percent from the 1987 biennium to the 1989 biennium. This is due to the loss of 1.0 FTE accountant. Operating expenses show an increase due to added printing, travel, and a \$240 increase in the legislative audit cost.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 1 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

The major difference between actual expenditures and appropriation is in operating expenses. This is due to not spending approximately \$5,500 to print reports and forms, and no expenditure for field audits and seminars.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	4.75	4.75	0.00
Personal Service	\$123,756	\$125,198	\$(1,442)
Operating Expense*	20,588	14,503	6,085
Equipment	<u>195</u>	<u>-0-</u>	<u>195</u>
Total Expenditures	<u>\$144,539</u>	<u>\$139,701</u>	<u>\$ 4,838</u>
<u>Funding</u>			
General Fund	\$143,255	\$139,653	\$ 3,602
State Special	<u>1,284</u>	<u>48</u>	<u>1,236</u>
Total Funds	<u>\$144,539</u>	<u>\$139,701</u>	<u>\$ 4,838</u>

*The biennial audit appropriation of \$1,680 was not expended in fiscal 1986 and is not included in the legislative column.

Current Level Adjustments

One administrative officer II (accountant) position was deleted because the agency vacated the position in August 1986 as part of the five percent cut and indicated no intention to fill the position for the rest of fiscal 1987. In addition, the agency had operated for the six months prior to vacating that position with the administrative aide position vacant. An administrative assistant III assumed the accounting responsibilities in fiscal 1987.

Another current level adjustment is made in printing costs. The agency has for several years been appropriated nearly twice as much as it has expended, and is requesting funds for many of the same forms that it was funded for in the last biennium but did not print. The \$3,645 included for printing costs for fiscal 1986 was the amount expended in fiscal 1984, inflated to current levels. Fiscal 1984 is the most comparable general election year, and the request in that year was for nearly the same reports and forms. The amount included in fiscal 1989 current level is based on the appropriation for 1987, a non-election year.

Telephone charges were reduced by \$1,170 for one-time expenditures for personal calls made in fiscal 1986. Travel was budgeted at \$300, the maximum spent in any prior year since the agency was formed. The agency has been budgeted for field audit travel every year since 1981, but has never conducted any audits. Agency audit fees of \$1,920 were included in fiscal 1988 only.

The state special revenue is fees collected for copies provided. The printing costs were put at the fiscal 1984 level, fees collected that year were \$821.

STATE AUDITOR'S OFFICE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	56.50	\$1,713,668	\$4,391,400
LFA Current Level	60.50	1,579,254	4,479,449
Executive Over (Under) LFA	<u>(4.00)</u>	<u>\$__134,414</u>	<u>\$__ (88,049)</u>

The executive budget is \$88,049 lower than LFA current level. The reason for the lower executive budget is that it has 4.0 fewer FTE than LFA current level and a total savings of over \$162,000 in personal services. This savings is partially offset by higher operating expenses and equipment allowances in the executive budget. Table A indicates the differences by type of expenditure and funding source for the 1989 biennium.

Table A
Executive Budget Amounts Over LFA Current Level
1989 Biennium

<u>Budget Item</u>	<u>Increase (Decrease) Over LFA Current Level</u>
Personal Services	\$(162,289)
Operating Expenses	63,085
Equipment	11,155
Total Expenditures	<u>\$__ (88,049)</u>
<u>Funding Sources</u>	
General Fund	\$ 134,414
State Special Revenue	<u>(222,463)</u>
Total Funding Difference	<u>\$__ 88,049__</u>

The following explanation of major differences has three sections: personal services, operating expenses, and equipment.

PERSONAL SERVICES

The executive budget has 4.0 fewer FTE and \$162,289 fewer total funds for personal services than LFA current level. The executive budget has \$12,500 higher personal services in the Audit Department than LFA current level due primarily to the shift of 1.0 FTE administrative clerk I grade 6 to a personnel technician II grade 10. The remainder is due to FTE reductions, as explained in the following issues.

ISSUE 1: FTE REDUCTION - CENTRAL MANAGEMENT DIVISION

The executive budget deletes 2.0 FTE positions, an administrative assistant II and a data processing control technician, for a cost reduction of approximately \$73,900 including an allowance for vacancy savings. Both positions were filled as of August 1986 and are included in LFA current level.

ISSUE 2: FTE REDUCTION - INSURANCE DEPARTMENT

The executive budget deletes 2.0 FTE positions, an administrative officer III and an unclassified position, for a cost reduction of approximately \$100,700 including an allowance for vacancy savings. The unclassified position is the position created by House Bill 16 in Special Session II as part of the Montana Insurance Assistance Plan. Both deleted positions were filled as of August 1986 and are retained in LFA current level.

OPERATING EXPENSES

The executive budget has \$63,085 more in operating expenses than LFA current level. Minor differences account for approximately \$7,000 of the total differences, including higher allowances in the executive budget of \$4,880 for postage and telephone system changes in the Securities Department. The balance of the differences are explained in the following issues.

ISSUE 3: DEVELOPMENT COSTS - INSURANCE DEPARTMENT

The executive budget is higher in all second level expenditure categories in the Insurance Department. LFA current level took reductions in those categories for one-time development costs appropriated by the Forty-Ninth Legislature for new insurance laws personnel. For costs associated with development of the non-gender insurance law, \$22,000 was taken out of LFA current level. An additional \$16,000 was taken out for costs associated with development of the new title insurance regulation laws.

ISSUE 4: COMPUTER MAINTENANCE COSTS - INSURANCE DEPARTMENT

The executive budget includes \$18,000 more than LFA current level for maintenance contracts on the WANG computer system, installed as part of a \$200,000 office automation project. Maintenance costs on the new WANG system were to be largely, if not completely, offset by cancellation of maintenance contracts on the System Six being replaced. During the interview between the LFA and State Auditor's Office, documentation was requested of maintenance cost comparisons for the old and new systems. The agency did not provide documentation or justification for the increase, and it is not included in LFA current level.

EQUIPMENT

The executive budget has \$11,155 more in equipment than LFA current level. The additional equipment includes \$5,290 for room dividers and a conference table in Central Management Division, \$1,165 for small office equipment in the Insurance

Department, and \$4,700 to buy a WANG personal computer in the Securities Department.

FUNDING

The executive budget utilizes \$134,414 more general fund and \$222,463 less state special revenue funds. LFA current level uses more state special revenue funds by utilizing a large fund balance in the central payroll operating account to fund current level.

STATE AUDITOR'S OFFICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	60.17	61.00	60.50	60.50	(0.50)
Personal Service	\$1,323,499	\$1,365,049	\$1,407,497	\$1,406,153	4.7
Operating Expense	914,471	904,759	858,042	800,387	(8.8)
Equipment	102,705	1,000	7,082	288	(92.9)
Total Expenditures	<u>\$2,340,675</u>	<u>\$2,270,808</u>	<u>\$2,272,621</u>	<u>\$2,206,828</u>	<u>(2.9)</u>
<u>Fund Sources</u>					
General Fund	\$1,072,584	\$1,059,975	\$ 811,169	\$ 768,085	(25.9)
State Special	<u>1,268,091</u>	<u>1,210,833</u>	<u>1,461,452</u>	<u>1,438,743</u>	<u>17.0</u>
Total Funds	<u>\$2,340,675</u>	<u>\$2,270,808</u>	<u>\$2,272,621</u>	<u>\$2,206,828</u>	<u>(2.9)</u>

The Office of the State Auditor, established by Article VI, Section 1 of the Montana Constitution, has statutory responsibility to superintend the fiscal concerns of the state, suggest plans for improvement and management of public revenues, keep an accounting system of all state funds, and pay into the state treasury all funds and fees received. The state auditor is both ex-officio commissioner of insurance and ex-officio securities commissioner. The state auditor is charged with the duty of licensing and regulating insurance companies and agents within the state. The state auditor also is assigned the responsibility of regulating and registering issuers, broker-dealers, and investment advisors, and licensing all securities salesmen. The auditor is the director of the central payroll system which is responsible for paying state employees.

Authorized expenditures decrease 2.9 percent in the 1989 biennium largely due to removal of one-time expenditures for systems development costs and equipment costs for office and program automation, which exceed \$100,000 per year in the 1987 biennium, and the removal of one-time start-up costs for the non-gender insurance and title insurance law implementations.

The state special revenue fund expenditure increases 17.0 percent while general fund decreases in the 1989 biennium primarily as a result of utilizing a fund balance of over \$200,000 in the central payroll operating fund to fund biennium expenditures and increasing the fees charged to users of the fund by over \$100,000 per year over 1987 biennium fee levels.

The Office of the State Auditor is divided into four program and functional categories: Central Management Division, Audit Department, Insurance Department, and Securities Department. The agency underwent a functional reorganization in fiscal 1986, and the former Central Payroll Bureau and Management Control Bureau were combined to form the Audit Department. Some FTE were shifted between programs with no effect on total FTE.

CENTRAL MANAGEMENT DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	9.00	8.00	9.00	9.00	(1.00)
Personal Service	\$211,522	\$208,123	\$215,578	\$215,547	2.7
Operating Expense	78,908	144,461	43,102	40,492	(62.6)
Equipment	73,681	-0-	423	-0-	(99.4)
Total Expenditures	<u>\$364,111</u>	<u>\$352,584</u>	<u>\$259,103</u>	<u>\$256,039</u>	<u>(28.1)</u>
Fund Sources					
General Fund	<u>\$364,111</u>	<u>\$352,584</u>	<u>\$259,103</u>	<u>\$256,039</u>	<u>(28.1)</u>

The Central Management Division of the State Auditor's Office is responsible for centralized services, including personnel, payroll, accounting, data processing assistance, mail service, administrative and budgeting functions for the agency.

Operating expenses and equipment costs decrease sharply as a result of removing over \$100,000 in office automation costs, resulting in an overall 28.1 percent decrease in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	8.00	9.00	(1.00)
Personal Service	\$229,915	\$211,522	\$18,393
Operating Expense*	70,022	78,908	(8,886)
Equipment	64,990	73,681	(8,691)
Total Exp. & Gen. Fund	<u>\$364,927</u>	<u>\$364,111</u>	<u>\$ 816</u>

*The biennial appropriation for the Legislative Audit cost does not include \$2,892 which was not expended in fiscal 1986.

The 1.0 difference in appropriated versus actual FTE is due to an agency reorganization which shifted one FTE to this program from the Audit Insurance Department. Personal services were overbudgeted in the 1987 biennium. Operating expense and equipment expenditures were increased with the excess personal service dollars. Operating expenses were expanded approximately \$4,200 for contract services, \$2,100 for postage, and \$2,000 for rent to the Department of Administration. The major equipment purchased but not budgeted for was \$10,057 for an automobile.

Current Level Adjustments

Central Management Division gains one FTE over the 1987 biennium appropriation as a result of an agency reorganization, which did not affect total agency FTE. Operating expenses decrease \$35,806, or 62.6 percent, because one-time costs of \$38,530 appropriated by the 1985 legislature for warrant writing system improvements and for office automation feasibility study, development, and partial implementation were removed from current level. The office automation project was fully funded in the 1987 biennium, but the warrant writing system improvements were not budgeted for full implementation in the 1987 biennium. One-time operating expenses of \$2,545 for consulting and professional services were also removed from current level. Bonds and insurance costs increase \$3,557. Audit fees of \$2,832 are in fiscal 1988 only. Audit costs were \$3,864 in the 1987 biennium, of which only \$972 were expended in fiscal 1986. Other minor adjustments decrease operating expenses \$691, while inflation adds \$543. Equipment is budgeted at \$423 for a file cabinet and microfiche reader.

AUDIT DEPARTMENT

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	19.50	20.00	19.50	19.50	(0.50)
Personal Service	\$ 393,135	\$400,281	\$ 406,143	\$405,653	2.3
Operating Expense	598,913	575,141	610,025	564,558	0.0
Equipment	20,401	-0-	3,320	-0-	(83.7)
Total Expenditures	<u>\$1,012,449</u>	<u>\$975,422</u>	<u>\$1,019,488</u>	<u>\$970,211</u>	<u>0.1</u>
<u>Fund Sources</u>					
General Fund	\$ 708,473	\$707,391	\$ 552,066	\$512,046	(24.8)
State Special	303,976	268,031	467,422	458,165	61.8
Total Funds	<u>\$1,012,449</u>	<u>\$975,422</u>	<u>\$1,019,488</u>	<u>\$970,211</u>	<u>0.1</u>

The Audit Department is comprised of two divisions, Fiscal Management Division and Central Payroll Division. The Fiscal Management Division is responsible for

preparing and mailing state warrants and for depositing all monies received by the state auditor. The Central Payroll Division is responsible for preparing the state payroll for all state agencies. The bureau is responsible for maintaining the data base for the Payroll/Personnel/Position Control System (PPP), which is an integrated data base system incorporating all the requirements and data elements of three systems -- payroll, personnel, and position control.

The state special revenue central payroll operating fund expenditures increase nearly \$200,000 per year as a result of utilizing nearly \$100,000 per year of the existing fund balance for biennium expenditures and increases in payroll service fees by over \$100,000 per year.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	20.00	19.50	0.50
Personal Service	\$ 413,003	\$ 393,135	\$ 19,868
Operating Expense*	603,010	598,913	4,097
Equipment	750	20,401	(19,651)
Total Expenditures	<u>\$1,016,763</u>	<u>\$1,012,449</u>	<u>\$ 4,314</u>
<u>Funding</u>			
General Fund	\$ 709,852	\$ 708,473	\$ 1,379
State Special	306,911	303,976	2,935
Total Funds	<u>\$1,016,763</u>	<u>\$1,012,449</u>	<u>\$ 4,314</u>

*Does not include \$6,968 of the biennial appropriation for the Legislative Audit cost which was not expended in Fiscal 1986.

The 0.5 FTE reduction from appropriated occurs due to a reorganization that shifted a 1.0 FTE administrative aide position from this department to central management, while a 0.5 FTE payroll clerk position was gained from the Insurance Department. Personal service dollars not utilized were expended for multi-user computers. The major changes in operating expense were that consulting and professional services were underspent by \$141,251, while overspending of \$100,804 occurred in Department of Administration systems development and computer processing. The appropriation in both areas is for system development and operation of the central payroll system and warrant writing system. The difference is primarily an offset, as the agency uses Department of Administration services instead of outside services. Other areas where overspending occurred were printing costs of \$12,400, postage and mailing of \$6,739, and repair and maintenance on office equipment of \$10,288.

Current Level Adjustments

Operating expenses are decreased by \$9,760 in professional services, primarily in one-time office remodeling costs. Audit fees increase to \$40,217 in fiscal 1988, which includes an allocation of the agency audit as well as audits of the central payroll and warrant writing systems. Audit fees for the 1987 biennium are \$21,000, of which \$14,032 was expended in fiscal 1986. Other minor adjustments to operating expenses reduce costs by \$1,231, while inflation/deflation results in a net decrease of \$4,082. Equipment costs of \$3,320 are included for replacement of small office equipment.

Funding

The program obtains funds in the form of payroll service fees from agency non-general fund operations. These fees are deposited into the state special revenue central payroll operating fund. The state auditor receives a general fund appropriation for general fund supported payroll services. Fees are based on the number of payroll warrants issued per user agency.

INSURANCE DEPARTMENT

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	22.67	24.00	23.00	23.00	(1.00)
Personal Service	\$505,801	\$538,448	\$556,093	\$555,485	6.4
Operating Expense	193,183	145,257	165,152	158,291	(4.4)
Equipment	<u>5,681</u>	<u>1,000</u>	<u>2,891</u>	<u>288</u>	<u>(52.4)</u>
Total Expenditures	<u>\$704,665</u>	<u>\$684,705</u>	<u>\$724,136</u>	<u>\$714,064</u>	<u>3.5</u>
<u>Fund Sources</u>					
State Special Revenue	<u>\$704,665</u>	<u>\$684,705</u>	<u>\$724,136</u>	<u>\$714,064</u>	<u>3.5</u>

The Insurance Department is responsible for regulating activities related to the insurance industry in the state. The duties of the division include licensing of insurance agents, monitoring of trade practices and insurance rates, and the investigation of insurance-related consumer complaints. Section 33-30-105, MCA, requires the audit of non-profit health service organizations once every four years.

Operating expenses decrease primarily as a result of removal of one-time start-up costs of \$11,000 for the non-gender insurance law, \$8,000 for the new title insurance regulation law, and one-time remodeling expenses associated with the reorganization.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	23.17	22.67	0.50
Personal Service	\$533,101	\$505,801	\$ 27,300
Operating Expense*	173,494	193,183	(19,689)
Equipment	<u>2,664</u>	<u>5,681</u>	<u>(3,017)</u>
Total Exp. & State Spec.	<u>\$709,259</u>	<u>\$704,665</u>	<u>\$ _4,594_</u>

*Does not include \$8,268 of the Legislative Auditor biennial audit which was not expended in fiscal 1986.

The 0.5 difference in appropriated versus actual FTE is due to agency reorganization, which shifted a payroll clerk position to the Audit Department. Personal services were overbudgeted in the 1987 biennium and some of these extra personal service dollars were expended to increase operating expenses. Operating expenses increased approximately \$5,500 in contract services, \$10,000 in postage/phone costs, and \$4,000 in other expenses. The primary equipment not budgeted for but purchased was multi-user computers.

Current Level Adjustments

Operating expenses are decreased \$10,973 in fiscal 1988 for professional services, primarily for costs of remodeling the agency's offices. Legal fees and court costs are decreased \$2,179 at the agency's request, as are \$1,520 in computer production and support costs. One-time telephone expenditures of \$2,607 for reorganization and office automation are taken out of the base. Payroll service fees are added, costing \$1,436 and \$1,400 in fiscal 1988 and 1989 respectively. Audit fees are increased to \$7,396 in fiscal 1988. This level represents a decrease from the 1987 biennium audit fees, as audit fees for the 1987 biennium are \$9,240, but only \$972 was expensed in fiscal 1986. Other minor adjustments to operating expenses decrease the base \$1,030, and inflation adds \$1,418. An additional \$19,000 was taken out of current level for one-time set-up costs related to new laws for regulation of non-gender insurance provisions and title insurance. The agency did not separately account for these one-time cost provisions appropriated by the Forty-Ninth Legislature, so the reductions were made in the categories listed in Table 4 based on estimates.

Table 4
Current Level Reductions for Set-up Costs
Non-Gender and Title Insurance Laws

	<u>Non-Gender</u>	<u>Title Insurance</u>	<u>Total</u>
Legal Fees	\$4,000	\$3,000	7,000
Copying	1,000	1,000	2,000
Postage	---	3,000	3,000
Long Distance Calls	4,000	---	4,000
Out-of-State Travel	1,000	1,000	2,000
Meeting Rooms	500	---	500
Repair and Maintenance	500	---	500
Total	<u>\$11,000</u>	<u>\$8,000</u>	<u>\$19,000</u>

Budgeted equipment of \$2,891 in fiscal 1988 and \$288 in fiscal 1989 is for small office equipment.

SECURITIES DEPARTMENT

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	9.00	9.00	9.00	9.00	0.00
Personal Service	\$213,041	\$218,197	\$229,683	\$229,468	6.5
Operating Expense	43,467	39,900	39,763	37,046	(7.9)
Equipment	2,942	-0-	448	-0-	(84.8)
Total Expenditures	<u>\$259,450</u>	<u>\$258,097</u>	<u>\$269,894</u>	<u>\$266,514</u>	<u>3.6</u>
<u>Fund Sources</u>					
State Special Revenue	<u>\$259,450</u>	<u>\$258,097</u>	<u>\$269,894</u>	<u>\$266,514</u>	<u>3.6</u>

The Securities Department is responsible for the administration of the Securities Act of Montana. The division carries out licensing, regulation, and enforcement duties related to securities and investments.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	9.00	0.00
Personal Service	\$217,923	\$213,041	\$ 4,882
Operating Expense*	42,358	43,467	(1,109)
Equipment	<u>-0-</u>	<u>2,942</u>	<u>(2,942)</u>
Total Exp. & State Spec.	<u>\$260,281</u>	<u>\$259,450</u>	<u>\$ ---831--</u>

*Does not include \$2,724 of the unexpended biennial legislative audit appropriation.

The underexpenditure in personal services is due to vacancy savings. Operating expenses were over the appropriation due primarily to an increase in postage and mailing expenses from \$990 to \$4,572. Travel was down about \$2,000. Equipment purchased included multi-user computers for \$2,414 and office equipment of \$528.

Current Level Adjustments

Consulting and professional services are reduced \$1,974 to reflect the agency's anticipated 1989 biennium expenditures. Education and training costs of \$920 are reduced to zero, as this was unbudgeted in prior years. Postage and mailing costs were reduced \$2,051 to reflect a three year average of costs. One-time expenditures of \$1,431 for phone system charges and registration fees for training were deleted from current level. Payroll service fees of \$562 and \$549 are added in fiscal 1988 and 1989 respectively, and audit fees of \$2,835 are added in fiscal 1988 only. Audit costs were \$3,696 in the 1987 biennium, of which only \$972 were expended in fiscal 1986. Inflation adds \$247 to the budget. Equipment budgeted is for a paper shredder and filing cabinets.

DEPARTMENT OF JUSTICE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	523.83	\$11,866,241	\$40,664,964
LFA Current Level	529.50	12,154,559	40,961,227
Executive Over (Under) LFA	<u>-(5.67)</u>	<u>\$(288,318)</u>	<u>\$(296,263)</u>

The executive budget is \$96,263 lower than LFA current level. The primary reason for the lower executive budget is 5.67 fewer FTE than LFA current level, and a resulting larger decrease in personal services. Those reductions, however, are largely offset by higher executive budget amounts in operating expenses and equipment. Table A indicates the difference by type of expenditure and funding source for the 1989 biennium.

Table A
Executive Budget Amounts Over LFA Current Level
1989 Biennium

Budget Item	Executive Over (Under) LFA Current Level
Personal Services	\$(896,537)
Operating Expenses	313,742
Equipment	<u>286,532</u>
Total Expenditures	<u>\$(296,263)</u>
<u>Funding Sources</u>	
General Fund	\$(288,318)
State Special Revenue	53,244
Federal and Other	(974)
Proprietary Fund	<u>(60,215)</u>
Total Funding Difference	<u>\$(296,263)</u>

The following explanation of major differences has four sections: personal services, operating expenses, equipment, and funding.

PERSONAL SERVICES

The executive budget has 5.67 fewer FTE and \$896,537 less total funds for personal services than LFA current level. In reality, the executive budget has 15.27 fewer FTE than LFA current level, after adjusting for a difference in the way county attorney FTE are counted for payroll purposes. Table B shows the differences

between the executive budget and LFA current level in personal services by program, FTE, and cost.

Table B
Personal Services/FTE
Comparison of Differences Between Executive Budget and LFA Current Level
1989 Biennium

Program	Executive	FTE LFA	Difference	Cost Difference	Position
Legal Services Division	18.75	20.00	(1.25)	\$(53,500)	1.00 Admin. Secretary 0.25 Lawyer
Indian Legal Jurisdiction	2.00	2.00	0.00	-0-	
County Prosecutor Services	3.00	3.00	0.00	-0-	
Agency Legal Services	10.00	10.00	0.00	(29,400)	
Driver Services Bureau	77.20	81.70	(4.50)	(148,500)	2.00 Driver Serv. Spec. 1.00 Office Clerk 1.25 Typist
Highway Patrol Division*	238.40	247.40	(9.00)	(725,300)	9.00 Highway Patrolmen
Motor Vehicle Registrar	70.00	70.00	0.00	(1,000)	
Law Enforcement Services Adm.	2.00	2.00	0.00	-0-	
Law Enforcement Academy	10.58	10.00	0.58	41,100	0.58 Lawyer IV
Fire Marshall Bureau	7.75	8.00	(0.25)	(11,200)	0.25 Deputy State Fire Marshall
Identification Bureau	7.00	7.00	0.00	(100)	
Criminal Investigation Bureau	6.00	6.00	0.00	(100)	
Criminal Invest. - Coal Board	5.00	5.00	0.00	-0-	
Central Services Division	9.15	10.00	(0.85)	(30,200)	0.85 Accounting Technician
Data Processing Division	15.00	14.00	1.00	45,500	1.00 Programmer Analyst I
Extradition of Prisoners	0.00	0.00	0.00	-0-	
Forensic Science Division	14.00	15.00	(1.00)	(46,200)	1.00 Chemist
Total	495.83	511.10	(15.27)	\$(958,900)	
County Attorney Payroll	28.00	18.40	9.60	62,400	
Net Difference	523.83	529.50	(5.67)	\$(896,500)	

*Combines executive budget HPD and Communications Bureau

The FTE differences represent deletion of 17.27 positions by the Governor compared with 2.00 deletions in LFA current level, for a net reduction in the executive budget of 15.27 FTE. The FTE deleted in LFA current level were the 1.00 FTE programmer analyst in Data Processing Division and 1.00 FTE lawyer position in the Law Enforcement Academy. The executive budget deleted 0.42 FTE of the lawyer position, for a net difference of 0.58 FTE at the academy.

The executive budget is \$29,400 lower in Agency Legal Services because the Governor took 4 percent vacancy savings. LFA current level took no vacancy savings in this program. In Highway Patrol Division, the cost difference of \$725,300

is only partially explained by the reduction of 9.0 FTE, which reduces costs approximately \$425,000. The remaining cost reduction of \$300,300 is in vacancy savings. The Governor budgeted 4 percent vacancy savings for this program while LFA current level took 2 percent vacancy savings.

The executive budget is \$62,400 higher than LFA current level in County Attorney Payroll because the Governor included salary increases of 1.2 percent in fiscal 1988 and an additional 2.56 percent in fiscal 1989. LFA current level holds salary funding at fiscal 1987 levels.

OPERATING EXPENSES

The executive budget has \$313,742 more in operating expenses than LFA current level. Table C provides a brief description of the major differences.

Table C
Executive Budget Operating Expenses Over (Under) LFA Current Level
1989 Biennium

<u>Program/Title</u>	<u>Description</u>	<u>Executive Over (Under) LFA Current Level</u>
<u>Indian Legal Jurisdiction</u>		
Legal and Court Fees	The executive budget includes \$334,200 for outside legal fees, expert witnesses, and court costs. LFA current level is \$100,000, with the anticipated continued effort by the agency to use Legal Services Division lawyers and reduce outside legal services.	\$234,000
<u>Driver Services Bureau</u>		
Contract Services	The executive budget includes higher allowances for contract services, including \$15,000 for expenses of a training and research grant from Highway Traffic Safety. This grant was not included in LFA current level. The executive budget also includes more for printing costs. LFA reduced fiscal 1989 printing costs by \$19,000 for the cost of printing driver manuals printed only in even-numbered years.	40,500
Supplies	The executive budget includes more for supplies, including over \$15,000 more for office supplies and over \$4,500 more for clothing and personal expense. Fiscal 1986 expenses in these categories were unusually high, and LFA current level reduced them back to prior year levels.	22,400
<u>Highway Patrol Division</u>		
	The executive budget includes significantly more than LFA current level for contract services, supplies and materials, communications, repair and maintenance, and other expenses. LFA current level reduced agency requested amounts for prisoner per diem and medical services. LFA current level also reduced gasoline costs for one-time expense of the 55 MPH squad that is not in current level in the 1989 biennium. Communications costs were reduced in LFA current level for one-time costs for new phone systems in the Missoula Patrol office and installation charges for speed detecting communications loops. LFA current level also took reductions for relocation costs and for unusually high repair and maintenance costs in fiscal 1986.	103,500
<u>Motor Vehicle Registrar</u>		
Renewal Notices	The executive budget reduced costs \$105,000 below LFA current level by eliminating renewal notices for vehicle registration.	(105,000)
<u>Central Services</u>		
Grounds Maintenance	The executive budget adds funds above LFA current level for grounds maintenance. The cost of grounds maintenance at the fiscal 1986 services level is included in the LFA current level.	24,600
Other Misc. Adjustments (Net)		(6,300)
Total Operating Expense Differences		\$ 313,700 =====

EQUIPMENT

The executive budget includes \$286,532 more in equipment than LFA current level. The major differences include: 1) an allowance for ten additional highway patrol cars at a biennium cost of \$113,440, 2) the purchase of more replacement terminals and printers in the Motor Vehicle Registrar's Bureau at a cost of \$60,950, 3) the replacement of three additional vehicles plus a computer and office equipment at an added cost of \$34,600, and 4) the purchase of two cars, radio equipment, and a computer in the Criminal Investigation Bureau at an added cost of \$32,100.

FUNDING

The executive budget used \$608,000 more motor vehicle fees than LFA current level. The differences are due to LFA not considering the inventory assest of \$174,226 in the fund balance available for expenditure; using approximatley \$280,000 more for purchasing license plate supplies in the prison, and not drawing the ending fund balance down as far.

The additional \$608,000 of motor vehicle funds used in the executive budget is offset in the state special revenue fund by using about \$504,000 less highway gas tax funds to fund the Highway Patrol Division, due to a lower program funding level.

Lower use of proprietary fund in the executive budget is due to a lower funding level than LFA current level for the Agency Legal Services Program.

DEPARTMENT OF JUSTICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	544.27	542.35	529.50	529.50	(12.85)
Personal Service	\$15,120,800	\$14,267,949	\$14,830,431	\$14,836,156	0.9
Operating Expense	4,624,402	5,019,792	4,776,231	4,677,233	(2.0)
Equipment	<u>1,361,804</u>	<u>837,743</u>	<u>923,848</u>	<u>917,328</u>	(16.3)
Total Expenditures	<u>\$21,107,006</u>	<u>\$20,125,484</u>	<u>\$20,530,510</u>	<u>\$20,430,717</u>	(0.7)
	=====	=====	=====	=====	=====
Fund Sources					
General Fund	\$ 8,852,444	\$ 5,477,444	\$ 6,146,387	\$ 6,008,172	(15.2)
State Special	11,103,284	13,382,067	13,364,674	13,401,819	9.3
Federal Revenue	696,313	829,927	526,309	527,272	(31.0)
Other	<u>454,965</u>	<u>436,046</u>	<u>493,140</u>	<u>493,454</u>	10.7
Total Funds	<u>\$21,107,006</u>	<u>\$20,125,484</u>	<u>\$20,530,510</u>	<u>\$20,430,717</u>	(0.7)
	=====	=====	=====	=====	=====

The Department of Justice, under the direction of the Attorney General, is responsible for state law enforcement and public safety. The duties of the department include the following: (1) attend the Supreme Court; (2) exercise supervisory powers over county attorneys in all matters pertaining to the duties of their offices; (3) assist county attorneys in the discharge of their duties; (4) give legal opinions; (5) enforce Montana traffic laws and register all motor vehicles; and (6) enforce state fire safety codes and regulations.

The general fund shows a decrease of 15.2 percent. This decrease occurred despite a shift of funding of \$1,307,746 in the 1989 biennium from motor vehicle funds to the general fund in the Forensic Science Division, due to a shortage of motor vehicle funds as compared to the 1987 biennium. In addition, the Criminal Investigation Bureau and the Data Processing Division showed significant increases in general fund requirements. These increases, however, were more than offset by a shift in funding for the Highway Patrol Division beginning in fiscal 1987 from general fund to highway gas tax funds, this shift reducing the general fund appropriation by \$2,822,941 in the 1987 biennium. Additionally, a reduction in the Indian Legal Services current level in the 1989 biennium of 38.7 percent, as well as a reduction in the county attorney payroll current level of 27.9 percent reduced general fund requirements. The reduction in county attorney payroll was due to a bill passed in Special Session III which eliminated the requirement that the state pay deputy county attorney salaries.

State special revenue funds increased primarily due to the shift of the Highway Patrol Division from general fund. Federal revenues decrease because federally funded budget amendments are included in the fiscal 1986 totals only and the 55 mile per hour squad in the Highway Patrol Division in the 1987 biennium is not included in the 1989 biennium.

Motor Vehicle Account

The motor vehicle account funds are used for many programs within the Department of Justice. Over 98 percent of this account's revenue comes from vehicle licenses and permits.

Prior to the 1985 biennium, the motor vehicle account did not fund any of the operating costs of the Law Enforcement Academy, the Law Enforcement Network, or the Forensic Science Division. In the 1985 biennium, approximately 54 percent or \$2,076,272 of those divisions' budgets were general fund and approximately 46 percent was other funds. In the 1987 biennium, all of the general fund was replaced with motor vehicle funds.

Table 1 shows the programs being funded with motor vehicle funds in the 1987 and 1989 bienniums without new plates.

Table 1
Motor Vehicle Account Cash Flow Analysis

	Actual Fiscal 1986	Budgeted Fiscal 1987	- - - - Projected - - - - Fiscal 1988	Fiscal 1989
*Beginning Balance	\$1,795,516	\$1,093,405	\$ 669,573	\$ 426,500
Revenues	<u>3,401,138</u>	<u>3,433,569</u>	<u>3,466,000</u>	<u>3,566,000</u>
Total Funds Available	\$5,196,654	\$4,526,974	\$4,135,573	\$3,992,500
Expenditures				
Prison	\$ 330,652	\$ 335,000	\$ 513,709	\$ 488,858
Vehicle Registration	1,929,716	1,858,062	1,973,543	1,973,192
Law Enforcement Academy	517,837	500,862	515,803	521,720
Law Enforcement Network	419,129	444,861	396,472	393,523
Forensic Science Division	603,570	536,446	-0-	-0-
Motor Vehicle Administration	298,960	284,668	304,341	300,986
Central Services	4,462	-0-	5,205	-0-
Adjustments	<u>(1,077)</u>	<u>(102,498)</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>\$4,103,249</u>	<u>\$3,857,401</u>	<u>\$3,709,073</u>	<u>\$3,678,279</u>
Ending Balance	<u>\$1,093,405</u> =====	<u>\$ 669,573</u> =====	<u>\$ 426,500</u> =====	<u>\$ 314,221</u> =====

*Does not include inventory at the prison which is assumed to remain constant through fiscal 1989.

As shown in Table 1, the projected revenue of \$3.4 million in each year of the 1987 biennium is less than the expenditures of \$4.1 million in fiscal 1986 and \$4.0 million in fiscal 1987. This imbalance was made possible by the beginning balance. However, if this reduction in fund balance were to continue in the 1989 biennium as proposed in Table 1, a sufficient balance would not exist to issue new license plates. The special centennial plates now being issued will decrease the motor vehicle fund balance, as the revenues from the special plate issue do not go back into the motor vehicle fund.

Due to a lack of sufficient motor vehicle account funds, the Forensic Science Division is shifted to general fund in the 1989 biennium, with an increase in general fund requirements of \$655,246 in fiscal 1988 and \$652,500 in fiscal 1989. Montana State Prison must purchase a supply of aluminum for routine license manufacture, increasing their fund requirements. The agency has not purchased aluminum for several years and has depleted current stocks.

ISSUE 1: MOTOR VEHICLE FUND BALANCE

As shown in Table 1 the motor vehicle fund balance would be reduced to less than \$220,000 at the end of the 1989 biennium. The motor vehicle funds support the license plate factory. Should new license plates be issued, expenditures would increase by an estimated \$1.6 million.

Does the legislature want to leave enough funds in the motor vehicle account to fund new license plates?

Option A: Replace \$1,300,000 of motor vehicle funds with general fund to allow a minimum balance in the motor vehicle fund of \$1.6 million to purchase license plates.

Option B: Allow the account balance to go below \$1.6 million as proposed in Table 1, and use alternative funding if new license plates are desired.

LEGAL SERVICES DIVISION					
<u>Budget Item</u>	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	20.00	20.00	20.00	20.00	0.00
Personal Service	\$679,134	\$657,060	\$695,148	\$694,690	4.0
Operating Expense	131,594	135,698	129,165	130,162	(3.0)
Equipment	10,596	861	-0-	-0-	(100.0)
Total Expenditures	\$821,324 =====	\$793,619 =====	\$824,313 =====	\$824,852 =====	2.1 =====
<u>Fund Sources</u>					
General Fund	\$785,710	\$779,437	\$802,278	\$802,962	2.6
State Special	20,118	14,182	22,035	21,890	28.1
Federal and Other	15,496	-0-	-0-	-0-	(100.0)
Total Funds	\$821,324 =====	\$793,619 =====	\$824,313 =====	\$824,852 =====	2.1 =====

The Legal Services Division staff provides the Attorney General with legal research and analysis; provides legal counsel for state government officials, bureaus, and boards; represents Montana's interests in cases before state and federal courts, anti-trust cases, and cases involving property that reverts to the state in the

absence of legal heirs; interprets laws; provides legal assistance to local governments on bond issues and other matters; and enforces the laws relating to the reporting and collection of unclaimed property owing to persons who cannot be located.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	20.00	20.00	0.00
Personal Service	\$666,894	\$679,134	\$(12,240)
Operating Expense	157,033	125,833	31,200
Equipment	3,444	861	2,583
Total Expenditures	<u>\$827,371</u>	<u>\$805,828</u>	<u>\$ 21,543</u>
Funding			
General Fund	\$807,015	\$785,710	\$ 21,305
State Special	20,356	20,118	238
Total Funds	<u>\$827,371</u>	<u>\$805,828</u>	<u>\$ 21,543</u>
Additions			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 15,496</u>	<u>\$(15,496)</u>

Personal services were overexpended as the agency had 2 percent vacancy savings rather than the 4 percent budgeted. Operating expenses were \$31,200 less than budgeted after taking out \$16,470 for the Governor's 2 percent cut. Therefore, the program spent \$47,672 less than anticipated by the 1985 legislature. The primary reductions were consultant and professional services of \$5,150 and legal fees and court costs of \$34,033. A balance of \$4,839 remained of the \$10,000 line-itemed for case-related travel.

The division received two federally funded budget amendments: 1) \$4,253 was expended for a victim and witness program to educate local prosecutors and law enforcement officials on the proper treatment of crime victims and witnesses and to inform victims of their rights, and 2) \$11,240 was expended for a training publication by the Montana Justice Quarterly for a broad range of criminal justice professionals.

Current Level Adjustments

This program was retained at fiscal 1986 current level except for two items requested by the agency. Office equipment rent and multi-user computer and terminal rent were altered to obtain four display stations and related printers for a net increase of \$1,030. Inflation adds \$2,302. No equipment was budgeted. Case related travel is not recommended to be line-itemed. The travel budget is down considerably from that anticipated by the 1985 legislature and from prior years' levels. There may be fewer problems if the agency can allocate their travel funds first to cases and then to meetings and training.

Funding

The state special revenue fund pays part of the costs of an attorney and operating expenses to help the Department of Revenue enforce the laws relating to the enforcing and collecting of unclaimed property from financial institutions.

INDIAN LEGAL JURISDICTION					
<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Service	\$ 59,996	\$ 60,192	\$ 60,258	\$60,335	0.3
Operating Expense	48,848	207,460*	105,321	5,322	(56.8)
Equipment	422	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$109,266</u>	<u>\$267,652</u>	<u>\$165,579</u>	<u>\$65,657</u>	<u>(38.7)</u>
<u>Fund Sources</u>					
General Fund	<u>\$109,266</u>	<u>\$267,652</u>	<u>\$165,579</u>	<u>\$65,657</u>	<u>(38.7)</u>

*Includes \$198,176 carried forward from fiscal 1986 of biennial appropriation for legal fees.

The Indian Legal Jurisdiction Program staff provides coordination of trial and appellate lawsuits involving the state of Montana on the Indian tribes, provides legal services, and supervises private attorneys contracted by the state to assist with those cases.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.00	2.00	0.00
Personal Service	\$ 59,995	\$ 59,996	\$ (1)
Operating Expense - Reg.	9,085	5,312	3,773
Operating Expense - Leg. Fees	241,712	43,536	198,176
Equipment	-0-	422	(422)
Total Exp. & General Fund	<u>\$310,792</u>	<u>\$109,266</u>	<u>\$201,526</u>

Both positions were filled the entire year, resulting in no vacancy savings in this program. Regular operating expenses were down due primarily to a \$4,000 travel cost decrease. A \$400,000 biennial appropriation for legal fees and court costs was reduced \$158,288 due to the 2 and 5 percent cuts. Of the \$241,712 remaining only \$43,536 was expended in fiscal 1986. The activity level was not as high as anticipated due to the Indian Jurisdiction Project's attempts to minimize the use of outside counsel on new cases which have arisen during the 1987 biennium, and, where possible, to perform as many services as reasonably feasible with state attorneys in pre-existing matters. This policy, together with relatively little activity in the Blackfeet case since the summer of 1985 has resulted in a substantial present balance in the project's contracted services budget for the 1987 biennium.

Current Level Adjustments

Current level is as requested by the agency, which is a \$10 increase in travel before inflation, except for the line-itemed biennial appropriation for outside legal fees, expert witnesses, and court costs. This biennium the agency made the decision to utilize more in-house expertise. Their rationale for needing some of the outside legal help is that these lawyers are now experts on the case. However, the agency also notes that much of their expertise was gained while doing work for the state. Also, the state lawyers do much of the work and hire the outside lawyers for court presentations. It costs \$70 to \$75 per hour for outside attorney assistance and about \$25 per hour for a state attorney at grade 19, assuming he is productive only 75 percent of the time due to vacations, sick leave, holidays, and training. Therefore, staff were retained in the Legal Services Program and the biennial appropriation for outside legal fees, expert witnesses, and court costs was increased from the \$43,536 spent in fiscal 1986 to \$50,000 a year or \$100,000 for the 1989 biennium.

COUNTY PROSECUTOR SERVICES

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - -</u>		<u>% Change 1987-89 Biennium</u>
			<u>Fiscal 1988</u>	<u>Fiscal 1989</u>	
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Service	\$108,158	\$110,079	\$112,961	\$112,868	3.5
Operating Expense	22,016	24,795	22,220	22,466	(4.5)
Total Expenditures	\$130,174 =====	\$134,874 =====	\$135,181 =====	\$135,334 =====	2.1 =====
<u>Fund Sources</u>					
General Fund	\$130,174 =====	\$134,874 =====	\$135,181 =====	\$135,334 =====	2.1 =====

The County Prosecutor Services Program (CPS) staff provides legal assistance to counties in the prosecution and disposition of major felonies and in cases in which county attorneys have conflicts of interest. This program also coordinates training and continuing legal education for county attorneys and city attorneys.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.00	3.00	0.00
Personal Service	\$108,453	\$108,158	\$ 295
Operating Expense	21,568	22,016	(448)
Total Exp. & General Fund	\$130,021 =====	\$130,174 =====	\$(153) =====

Personal services are very close to the budgeted amount as this program experienced about 3 percent vacancy savings in the hours billed to this program.

Operating expenses were up about \$1,000 for phone costs. This phone expense was offset by travel being down about \$1,000. The Governor's 2 percent cut of \$2,643 primarily reduced the amount spent on repair and maintenance. A general fund program transfer was made into this program to cover the overexpenditures.

Current Level Adjustment

There was no current level adjustment, except to apply 4 percent vacancy savings.

AGENCY LEGAL SERVICES					
<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	10.00	10.00	10.00	10.00	0.00
Personal Service	\$341,938	\$334,252	\$367,455	\$367,965	8.8
Operating Expense	100,907	101,794	125,107	125,489	23.6
Equipment	11,525	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$454,370</u>	<u>\$436,046</u>	<u>\$492,562</u>	<u>\$493,454</u>	<u>10.7</u>
<u>Fund Sources</u>					
Other Funds	<u>\$454,370</u>	<u>\$436,046</u>	<u>\$492,562</u>	<u>\$493,454</u>	<u>10.7</u>

The Agency Legal Services Program (ALS) provides legal services, upon request, to state agencies. Agencies are billed (at a current rate of \$45 per hour) for attorney time and case-related costs to support the program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	10.00	10.00	0.00
Personal Service	\$333,970	\$331,938	\$ 2,032
Operating Expense	<u>103,057</u>	<u>100,907</u>	<u>2,150</u>
Total Exp. & Proprietary Fd	<u>\$437,027</u>	<u>\$432,845</u>	<u>\$ 4,182=</u>
<u>Additions</u>			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 21,525</u>	<u>\$(21,525)</u>

The agency hours paid were 2.6 percent more than full time for ten people. This overexpenditure was possible due to budget amended funds to pay termination pay and to fund budgeted vacancy savings. Operating expenses in total were underexpended. Contract services were down \$3,500. Supplies were down \$1,000. Travel increased \$3,400. Rent decreased \$3,200 due primarily to renting less office equipment. Repair and maintenance was up \$1,200 due to vehicle repairs.

A budget amendment was approved for \$9,009 of personal services to fund vacancy savings and termination costs, and for \$21,955 of contract services for consultants to be retained in the preparation of legal cases. Of the \$21,525 expended, \$10,000 was spent in legal services, while the remaining \$11,525 went for equipment.

Current Level Adjustments

The agency budget request is included as current level. Based on past experience and the agency's ability to provide services, there is no vacancy savings. The operating expenses increase for case-related costs. Should these costs not materialize the agency will receive no revenue to support the expenditures. In fiscal 1985 the operating costs were \$133,207 or \$32,320 more than fiscal 1986 due primarily to consultants and professional services used.

Funding

Agency Legal Services is a proprietary fund operation. The source of revenue is an hourly fee charged to user agencies for its services. The hourly fee in fiscal 1986 was \$45. The legislature had approved an increase to \$46 in fiscal 1987. However, Agency Legal Services retained the rate at \$45 in fiscal 1987 due to budget constraints. The fee will need to increase by 6.2 percent to cover the budget at current level before pay increases. This increase would make the attorney cost per hour \$47.80 and the investigator's hourly rate \$27.50. The expenditure increases above the fiscal 1986 level are expected to be charged to the client as case-related.

DRIVER SERVICES BUREAU

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	81.70	83.70	81.70	81.70	(2.00)
Personal Service	\$1,624,794	\$1,587,905	\$1,688,072	\$1,687,322	5.1
Operating Expense	517,783	511,232	513,027	496,968	(1.8)
Equipment	83,466	16,858	23,804	17,804	(58.5)
Total Expenditures	\$2,226,043	\$2,115,995	\$2,224,903	\$2,202,094	2.0
	=====	=====	=====	=====	=====
Fund Sources					
General Fund	\$1,811,213	\$1,755,526	\$1,844,210	\$1,824,393	2.9
State Special	373,977	360,469	380,693	377,701	3.3
Federal Revenue	40,853	-0-	-0-	-0-	(100.0)
Total Funds	\$2,226,043	\$2,115,995	\$2,224,903	\$2,202,094	2.0
	=====	=====	=====	=====	=====

The Driver Services Bureau is responsible for implementing and administering the laws relating to the examination, issuance, cancellation, suspension, revocation, and reinstatement of drivers' licenses and driving privileges.

During fiscal 1986 the Motor Vehicle Administration Bureau was combined with the Driver Services Bureau. The table above shows the combined totals of the merged programs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	83.70	81.70	2.00
Personal Service	\$1,634,012	\$1,624,794	\$ 9,218
Operating Expenses	543,630	517,783	25,847
Equipment	23,080	42,613	(19,533)
Total Expenditures	<u>\$2,200,722</u>	<u>\$2,185,190</u>	<u>\$ 15,532</u>
<u>Funding</u>			
General Fund	\$1,807,093	\$1,811,213	\$ (4,120)
State Special	373,629	373,977	(348)
Federal	20,000	-0-	20,000
Total Funds	<u>\$2,200,722</u>	<u>\$2,185,190</u>	<u>\$ 15,532</u>
<u>Additions</u>			
Budget Amendment	<u>\$ -0-</u>	<u>\$ 40,853</u>	<u>\$(40,853)</u>

Personal services had a net reduction of 2.0 FTE due to program transfers, and 9 percent less hours were paid for than 81.70 FTE would generate. However, the underexpenditure was only \$9,218 for several reasons. A grade 5 office clerk position was changed to grade 14 programmer analyst, which added yearly salary costs of \$10,254. Termination pay was paid to two individuals at a cost of \$17,359. Overtime costs were \$6,500 less than budgeted. The agency took a \$20,074 cut in the personal services appropriation as part of the Governor's 2 percent cut.

Operating expenses were \$25,847 less than appropriated for two primary reasons: 1) \$20,000 of contract services appropriated for a feasibility study for microfilming the drivers' license records was not expended, as the federal dollars were not available, and 2) rent for buildings and computers was \$21,780 less than the appropriation. A significant amount of this rent savings was offset by large increases for office supplies and postage.

Equipment shows as \$19,533 overexpended in the comparison table. The agency reduced equipment \$16,000 for the 2 percent cut. The equipment expenditures were made for the four cars anticipated and office equipment of \$8,210 rather than the appropriated \$5,000. Therefore, equipment is really only about \$3,500 more than anticipated by the 1985 legislature.

A budget amendment was approved for Federal Highway Traffic Safety funds to purchase data processing equipment to upgrade response time and printed responses as related to drivers' license functions. The purchased equipment allows access to driver/vehicle history, particularly for DUI offenses. The amount authorized was \$45,000, of which \$40,853 was expended.

Current Level Adjustments

Personal services were reduced \$5,300 for overtime wages. A net of 2.00 FTE were transferred from this program as a result of program reorganization within the Department of Justice.

Operating expenses decreased a net of \$4,756 from fiscal 1986 to fiscal 1988. Decreases occurred in the following categories: clothing and personal costs, \$2,280; office supplies, \$7,624; travel, \$946; building maintenance, \$1,463; dues, \$964; and relocation costs, \$1,544. Other minor adjustments resulted in a net reduction of \$104. Increases occurred in computer processing charges, \$5,587, and computer maintenance costs, \$1,136. Payroll service fees increased \$811 in fiscal 1988 and \$798 in fiscal 1989. Printing costs stayed the same in fiscal 1988 but were reduced \$19,000 in fiscal 1989 for the biennial cost of printing the driver manuals. Inflation adds \$2,635 in fiscal 1986.

Equipment in current level allows for replacement of two high mileage vehicles in each year of the 1989 biennium. No funds were included for replacement of office equipment.

HIGHWAY PATROL DIVISION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	249.57	250.65	247.40	247.40	(3.25)
Personal Service	\$ 7,342,131	\$ 7,331,485	\$7,502,850	\$7,509,440	2.3
Operating Expense	1,621,761	2,273,849	1,563,170	1,593,762	(19.0)
Equipment	1,107,852	799,358	811,670	832,000	13.8)
Total Expenditures	<u>\$10,071,744</u>	<u>\$10,404,692</u>	<u>\$9,877,690</u>	<u>\$9,935,202</u>	<u>(3.2)</u>
<u>Fund Sources</u>					
General Fund	\$ 2,822,941	\$ -0-	\$ -0-	\$ -0-	(100.0)
State Special	6,947,887	9,916,432	9,647,310	9,704,471	14.7
Federal Revenue	300,916	488,260	230,380	230,731	(41.6)
Total Funds	<u>\$10,071,744</u>	<u>\$10,404,692</u>	<u>\$9,877,690</u>	<u>\$9,935,202</u>	<u>(3.2)</u>

The Montana Highway Patrol patrols the highways, enforcing Montana traffic laws and investigates accidents. They give assistance and information to motorists and first aid to the injured, and transport blood and medical supplies in emergency situations.

As part of a reorganization, the Department of Justice transferred the Criminal Justice Information Network function into the Data Processing Division. The balance of the former Law Enforcement Teletype Program, the radio communications/dispatch segment, became a part of the Highway Patrol Division.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 7
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	250.65	249.57	1.08
Personal Service	\$ 7,309,027	\$ 7,342,131	\$(33,104)
Operating Expense	2,299,966	1,619,133	680,833
Equipment	<u>1,227,779</u>	<u>1,105,580</u>	<u>122,199</u>
Total Expenditures	<u>\$10,836,772</u>	<u>\$10,066,844</u>	<u>\$769,928</u>
<u>Funding</u>			
General Fund	\$ 2,922,267	\$ 2,822,941	\$ 99,326
State Special	7,456,059	6,947,887	508,172
Federal Revenue	<u>458,446</u>	<u>296,016</u>	<u>162,430</u>
Total Funds	<u>\$10,836,772</u>	<u>\$10,066,844</u>	<u>\$769,928</u>
<u>Additions</u>			
Budget Amendment	\$===== -0- =====	\$===== 4,900 =====	\$ (4,900)

Total FTE are reduced by a net 1.08 in fiscal 1986 as a result of the program transfer of 3.0 FTE to other Department of Justice programs in a reorganization, and the addition of 1.92 FTE representing eight cadets at .24 FTE each, whose status changed from contractual workers to employees for legal reasons.

Program transfers account for \$528,640 of the \$769,928 in differences shown above, including the Criminal Justice Information Network function, two FTE and \$514,107, which were transferred to the Data Processing Division. In addition, \$14,533, representing 1.0 FTE, was transferred to the Driver Services Bureau. These transfers resulted in a reduction of \$14,533 in general fund, \$188,000 in criminal justice information network funds, and \$326,107 in motor vehicle funds in the Highway Patrol Division.

The \$241,288 in differences in the fiscal 1986 comparison table not explained by program transfers can be attributed to the functions of the Highway Patrol Division shown in Table 8.

Table 8
Comparison of Actual Expenses by Function to Funds
Available After Program Transfers
Fiscal 1986

<u>Function</u>	<u>Funds Available</u>	<u>Expended</u>	<u>Difference</u>
Highway Patrol - Gen. Operations	\$ 9,021,505	\$ 9,007,429	\$ 14,076
Communications	438,431	435,288	3,143
Highband Radio Installation	389,750	328,115	61,635
55 MPH Squad	111,440	111,440	-0-
Motor Carrier Safety (MCSAP)	315,006	154,572	160,434
Advance Training	32,000	30,000	2,000
Total	<u>\$10,308,132</u>	<u>\$10,066,844</u>	<u>\$241,288</u>
<u>Funding</u>			
General Fund	\$ 2,837,734	\$ 2,822,948	\$ 14,786
State Special Revenue	7,011,952	6,947,884	64,068
Federal Revenue	458,446	296,012	162,434
Total	<u>\$10,308,132</u>	<u>\$10,066,844</u>	<u>\$241,288</u>

The Highband Radio Installation project is a biennial appropriation for the completion of a statewide highband radio communications system, and the \$61,635 unexpended balance was carried over into fiscal 1987 for the purchase of equipment. The only other significant difference is in the Motor Carrier Safety (MCSAP) program. The program did not become fully operational until January, 1986, resulting in less than one-half of the available federal funds being expended.

Reduced personal services in the MCSAP program due to not being fully manned for the entire year were offset by the addition of 1.92 FTE cadet positions. The cadets were appropriated as contract services, but legal implications that an employer/employee relationship existed resulted in the payment of the cadets out of personal services.

Operating expenses in the Highway Patrol Division were less than the appropriation due to reduced expenditures in contract services, savings in gasoline costs of over \$45,000, and savings in travel costs of over \$64,000 due to MCSAP underexpenditures and agency restrictions on travel. Communications costs were overexpended due to increased numbers of communications loops for the highband radio installation and high speed monitoring test sites. Repair and maintenance costs were overexpended \$23,000 due to higher vehicle maintenance and tire costs as cars are being held longer, higher radar maintenance costs, and the expenditure of \$5,700 to rebuild an aircraft engine.

A budget amendment was approved for a grant of federal Highway Traffic Safety funds to purchase a video camera tripod, a portable battery pack belt, and 110 First Responder textbooks for the upgrade of field force personnel training. The program was authorized \$5,000, of which \$4,900 was expended.

Current Level Adjustments

Personal services are adjusted to reduce 3.00 FTE from the base year that were transferred to other programs and to delete the 4.00 FTE for the 55 mph squad mandated in HB 500 not to be in current level in the 1989 biennium. Included in current level are 3.75 FTE for 15 cadets in the training program for fiscal 1988 and 1989. This is an increase of 1.83 FTE over the actual FTE used by the program, and reflects an increase from 8 to 15 cadets from the 1987 biennium. The cadets are increased to provide replacements for an anticipated high turnover of patrolmen in the 1989 biennium due to retirements. No FTE were appropriated for cadets in the 1987 biennium, although funds were authorized for 8 cadets on a contract basis.

The current level operating expenses decrease \$55,800 after removing budget amendment expenditures of \$2,791 from fiscal 1986 to fiscal year 1988. Insurance and bonds increase \$13,500. Payroll service fees charged by the State Auditor increase \$5,300 in fiscal 1988 and \$5,050 in fiscal 1989. Medical services decrease \$4,000 as costs of medical services for individuals jailed by the Highway Patrol were unusually high in fiscal 1986. Food service expenses paid to the Law Enforcement Academy increase \$5,200 due to the expansion of the number of cadets from eight to fifteen. Prisoner per diem increases \$10,200 due to the doubling of the per diem rate local law enforcement agencies are allowed to charge for individuals jailed by the Highway Patrol and due to the increased arrests from the DUI program emphasis. Clothing costs are reduced over \$16,000 for one-time costs of starting up a quartermaster program. Gasoline costs are reduced in fiscal 1988 as over \$19,000 in costs of the 55 mph special squad are taken out of current level. Deflation of gas prices reduces gasoline costs an additional \$27,500 in fiscal 1988, although inflation of gas prices increases the fiscal 1989 amount \$28,300 over the fiscal 1988 level. Telephone equipment and long distance charges increase over \$9,900 due largely to increased communication lines for the new highband radio installation and speed monitoring loops. In-state meals and lodging decrease over \$14,300 due to removal from current level of the costs of the 55 mph squad. Building rent inflation increases costs over \$9,000 in fiscal 1988, and an additional \$1,200 in fiscal 1989. Higher than normal maintenance costs of \$14,800 are taken out in the 1989 biennium. Relocation costs of \$12,400 were deleted, and indirect administrative costs for federal programs are increased \$4,500. Other miscellaneous adjustments result in additional decreases in current level of \$5,400.

Equipment funds are included to replace a minimum of 65 cars per year totaling \$778,570 in fiscal 1988 and \$809,900 in fiscal 1989, four base station repeaters at \$20,000 per year, \$3,500 in fiscal 1988 for siren control heads, \$2,100 per year for 2 typewriters each year, and \$7,500 in fiscal 1988 for a new copier at headquarters.

Funding

The June 1986 special session of the legislature shifted funding of civilian personnel services, equipment, and operating costs of the Highway Patrol to the highway special revenue fund in fiscal 1987. This funding method is continued in the 1989 biennium. The only funding for the Highway Patrol Division other than highway special revenues are federal funds for the Motor Carrier Safety (MCSAP) and Advanced Training Programs.

MOTOR VEHICLE REGISTRAR'S BUREAU

Budget Item	Actual	Appropriated	-- Current Level --		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	987-89 Biennium
F.T.E.	70.00	70.00	70.00	70.00	0.00
Personal Services	\$1,212,409	\$1,171,113	\$1,256,844	\$1,255,954	5.4
Operating Expense	678,437	685,969	698,659	699,198	2.5
Equipment	38,870	980	18,040	18,040	(9.5)
Total Exp.	<u>\$1,929,716</u>	<u>\$1,858,062</u>	<u>\$1,973,543</u>	<u>\$1,973,192</u>	4.2
					=====
Fund Sources					
State Special Revenue	<u>\$1,929,716</u>	<u>\$1,858,062</u>	<u>\$1,973,543</u>	<u>\$1,973,192</u>	4.2
					=====

The Motor Vehicle Registrar's Bureau provides a system of motor vehicle registration, a certificate of ownership, lien filing, and licensing of automobile dealers and manufacturers. This program also processes registration for boats and snowmobiles.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	70.00	70.00	70.00
Personal Services	\$1,202,155	\$1,212,409	(\$10,254)
Operating Expenses	716,677	678,437	38,240
Equipment	38,702	38,870	(168)
Total Exp. & State Spec. Rev.	<u>\$1,957,534</u>	<u>\$1,929,716</u>	<u>\$27,818</u>

Personal services are \$10,254 more than anticipated as: 1) vacancy savings was about 3 percent rather than the 4 percent budgeted, and 2) there was one upgrade from an administrative clerk to an administrative assistant I at a salary increase of \$988.

Operating expenses were \$38,240 less than appropriated. The major decreases are \$6,245 in communications, \$19,511 in rent, and \$12,782 in repairs on multi-user

computers and office equipment, which is primarily maintenance contracts, as \$129,823 in equipment purchases were made in fiscal 1985. Equipment purchases in fiscal 1985 were \$100,000 more than appropriated.

Equipment was expended as anticipated: \$9,854 was spent on vehicles, \$23,883 on 11 multi-user computers, and \$5,133 on office equipment.

Current Level Adjustments

Operating expenses increase \$20,222 from fiscal 1986 to fiscal 1988. Increases include \$15,691 in computer processing charges for fee increases by the Department of Administration, \$2,006 in increased printing charges, \$1,000 for maintenance contracts on new computers, and \$3,000 for increased freight charges to handle centennial plate issues. Payroll service charges increase \$1,020 in fiscal 1988 and \$950 in fiscal 1989 over the fiscal 1986 base level. Other minor adjustments result in a net increase in operating expenses of \$406. Inflation adds \$399 in fiscal 1988 and an additional \$609 in fiscal 1989. Decreases in operating expenses are \$3,300 in boiler inspection fees due to removal of the boiler.

Equipment funds will allow the purchase of \$13,040 in replacement computer terminals and printers each year of the biennium. Office equipment funds were included at \$5,000 for each year of the biennium.

LAW ENFORCEMENT SERVICES ADMINISTRATION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Services	\$67,993	\$65,402	\$68,279	\$68,150	2.3
Operating Expense	8,768	10,420	8,662	8,778	(9.1)
Equipment	-0-	-0-	765	-0-	100.0
Total Expenditure	\$76,761	\$75,822	\$77,706	\$76,928	1.3
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$76,761	\$75,822	\$77,706	\$76,928	1.3
	=====	=====	=====	=====	=====

The Law Enforcement Services Division--Administration Program administers three bureaus: Criminal Investigation, Fire Marshall, and Identification. These bureaus provide a broad spectrum of services vital to local, county, state, and federal law enforcement criminal justice agencies throughout Montana.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 10
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	2.00	2.00	0.00
Personal Services	\$65,377	\$67,993	(\$2,616)
Operating Expenses	10,077	8,768	1,309
Equipment	6,841	-0-	6,841
Total Exp. & General Fund	<u>\$82,295</u>	<u>\$76,761</u>	<u>\$5,534</u>

Personal services expenditures are higher than anticipated as there was no vacancy savings. Operating expense savings were mainly in communications and repair and maintenance. The equipment appropriation was for a car which was not purchased.

Current Level Adjustments

Insurance and bond expenses were increased \$40 per year and subscriptions were reduced by \$367 to \$500, which is the amount expended in prior years.

Equipment of \$765 in fiscal 1988 is for a file cabinet and a sound shield acoustical cover for the word processor printer.

COUNTY ATTORNEY PAYROLL

Budget Item	Actual	Approp.	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
	1986	1987	1988	1989	Biennium
F.T.E.	28.00	28.00	18.40	18.40	(9.60)
Personal Services	\$1,587,734	\$922,336	\$906,053	\$908,130	(27.7)
Total Expenditure	\$1,587,734	\$922,336	\$906,053	\$908,130	(27.7)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$1,587,734	\$922,336	\$906,053	\$908,130	(27.7)
	=====	=====	=====	=====	=====
- - - - - Fiscal 1988 - - - - -					
ISSUES:	General Fund	Other Funds	General Fund	Other Funds	
1. Full time Attorney	(\$150,843)	\$ -0-	(\$150,843)	\$ -0-	
2. Health Insurance					
Option A:	(7,590)	-0-	(7,590)	-0-	
Option B:	31,050	-0-	31,050	-0-	
3. Salary Increase	10,752	-0-	10,777	-0-	

The County Attorney Payroll Program pays one-half of the salary and benefits of the 56 county attorneys from state general fund, as required under section 7-4-2502, MCA.

Senate Bill 116 passed by the 1985 Legislature revised the pay structure for prosecuting attorneys, required the state to pay one-half of the salary of no more than two authorized deputy county attorneys per county, provided longevity pay for deputy county attorneys, and provided funding for the changes by imposing a charge on persons convicted of criminal offenses or who forfeit bond or bail. Special Session III Senate Bill 7 removed the requirement that the state general fund pay for deputy county attorney salaries. The bill also required that the fees and fines that were supporting the program in fiscal 1986 be deposited to the county or city general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 11
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	28.00	28.00	0.00
Personal Services	<u>\$1,517,735</u>	<u>\$1,587,734</u>	<u>\$(69,999)</u>
<u>Funding</u>			
General Fund	<u>\$1,517,735</u>	<u>\$1,587,734</u>	<u>\$(69,999)</u>

The program received a \$70,000 general fund supplemental in fiscal 1986, allowing the overexpenditure.

Current Level Adjustments

County attorney salaries have been held at the fiscal 1987 level with benefits. Some of the counties froze the county attorney salaries in fiscal 1987, saving \$11,058 in fiscal 1988 and \$11,084 in fiscal 1989. There are funds in current level for 14 full-time county attorneys, 21 county attorneys at 60 percent time, 20 county attorneys at half time, and 1 county attorney at 20 percent time. As the state pays one half of the salaries, this is equivalent to 18.40 F.T.E.

The benefits rate is 12.44 percent in fiscal 1988 and 12.70 percent in fiscal 1989.

ISSUE 1: FULL-TIME COUNTY ATTORNEYS

There are seven county attorneys serving full time whose population would only require a county attorney 60 or 50 percent of the time. In first, second, and third class counties with a population under 30,000, a county may have a part-time county attorney paid at 60 percent of the full time salary. For counties class four, five, six, and seven with a population under 30,000, the part-time county attorney receives 50 percent of the full-time salary. However, section 7-4-2706, MCA, states the county commissioners may, upon consent of the county attorney, establish the office of county attorney as full-time. Having these county attorneys on full time rather than part-time costs \$150,843 of general fund a year.

Option A: Do not fund county attorneys which are not required by population to be full time for a biennium general fund savings of \$301,686.

Option B: Continue to fund all non-required full-time county attorney positions.

ISSUE 2: HEALTH INSURANCE

The state is paying health insurance costs of \$690 a year for 11 of the 56 county attorneys. Seven of the 14 full-time county attorneys receive health insurance and four who receive 60 percent of full-time pay receive health insurance. The county attorneys are not state employees. If they were state employees, they would

be required to be paid by the state at least half time to receive health insurance benefits.

If all 56 positions were compensated for half the state health insurance contributions, the cost would be \$38,640 a year.

Option A: Do not pay health insurance benefits for county attorneys for a biennial general fund savings of \$15,180.

Option B: Pay health insurance benefits for all county attorneys at a general fund added cost of \$62,100 for the 1989 biennium.

Option C: Continue to pay some county attorneys health insurance.

ISSUE 3: SALARY INCREASE

By law the county commissioners can give salary increases to equal to 70 percent of the last previous calendar year's consumer price index for all urban consumers. The Department of Justice has requested a 1.2 percent salary increase each year. The law also allows the county commissioners to freeze the salaries. Thirty one of the salaries were frozen in fiscal 1987.

Option A: Appropriate funds for the county attorneys' salary raises at a general fund cost of \$21,529.

Option B: Do not appropriate funds for county attorneys' salary raises and freeze salaries at the fiscal 1987 level as shown in the current level numbers.

LAW ENFORCEMENT ACADEMY

Budget Item	Actual	Approp	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
	1986	1987	1988	1989	Biennium
F.T.E.	11.00	11.00	10.00	10.00	(1.00)
Personal Services	\$277,033	\$275,323	\$274,782	\$274,365	(0.6)
Operating Expense	304,729	288,049	303,516	310,619	3.6
Equipment	6,587	-0-	3,000	3,000	(8.9)
Total Expenditure	\$588,349	\$563,372	\$581,298	\$587,984	1.5
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
State Special	\$583,590	\$563,372	\$581,298	\$587,984	1.9
Federal and Other	4,759	-0-	-0-	-0-	(100.0)
Total Funds	\$588,349	\$563,372	\$581,298	\$587,984	1.5
	=====	=====	=====	=====	=====

The Law Enforcement Academy Bureau provides a professional education and training program in criminal justice for Montana law enforcement officers and other criminal justice personnel.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 12
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	11.00	11.00	0.00
Personal Services	\$279,728	\$277,033	\$ 2,695
Operating Expenses	301,292	299,970	1,322
Equipment	3,000	6,587	(3,587)
Total Exp. & State Spec. Rev.	<u>\$584,020</u>	<u>\$583,590</u>	<u>\$ 430</u>
<u>Additions</u>			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 4,759</u>	<u>\$(4,759)</u>

Personal services expenditures were very close to the appropriated amount due to: 1) 7 percent vacancy savings, which included leaving one position open all year, rather than the budgeted 4 percent vacancy savings, and 2) raising the director's salary over budget by 16.7 percent.

The one operating expense category which varied significantly from the anticipated level was other expenses, which increased from \$1,090 in fiscal 1985 to \$10,417 in fiscal 1986. The new expenditures were \$2,765 for dues; \$866 for training fees; \$4,639 for relocation expenses; and \$849 for rewards.

Equipment items purchased in fiscal 1986 are \$2,192 of multi-user computers, \$450 of education and recreation equipment, and \$3,945 of office equipment.

A budget amendment was approved in fiscal 1986 to fund physical fitness training for law enforcement officers in preparation for implementation of minimum standards of physical fitness for all Montana peace officers. The training was made a part of the curriculum at the academy, and \$4,759 of the \$5,000 appropriated was expended in fiscal 1986.

Current Level Adjustments

Personal services were decreased by 1.0 FTE. This was a grade 15 training officer which the agency changed to a grade 18 lawyer, but never filled in fiscal 1986. Operating expenses were increased \$3,546 from fiscal 1986 to fiscal 1988 after

removing fiscal 1986 budget amendment expenditures of \$4,759. Adjustments are made to reduce relocation costs by \$4,639 and dues by \$2,700. Rent increased by \$10,800, and other minor changes result in an increase of \$85. Equipment of \$3,000 per year is included.

Funding

There are two sources of funding--tuition and fees and the motor vehicle account. Tuition is continued at 11.27 percent of the total cost, which is \$65,495 in fiscal 1988 and \$66,264 in fiscal 1989. The motor vehicle account funds the difference.

FIRE MARSHALL BUREAU

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	8.00	8.00	8.00	8.00	0.00
Personal Service	\$247,895	\$225,459	\$237,280	\$237,547	0.3
Operating Expense	77,138	80,452	71,195	71,936	(9.2)
Equipment	14,400	10,142	9,852	9,852	(19.7)
Total Expenditures	<u>\$339,433</u>	<u>\$316,053</u>	<u>\$318,327</u>	<u>\$319,335</u>	<u>(2.7)</u>
<u>Fund Sources</u>					
General Fund	\$326,272	\$316,053	\$318,327	\$319,335	(0.7)
Federal Revenue	13,161	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$339,433</u>	<u>\$316,053</u>	<u>\$318,327</u>	<u>\$319,335</u>	<u>(2.7)</u>

The Fire Marshall's Program is responsible for reducing the loss of life and property from fire, explosion, and arson. Services offered through this program are fire and arson investigation, inspection of state-owned buildings, fire code interpretation and enforcement, and the collection of fire data through the fire incident reporting system.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 13
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	8.00	8.00	0.00
Personal Service	\$237,392	\$247,895	\$(10,503)
Operating Expense	87,619	70,591	17,028
Equipment	12,601	7,786	4,815
Total Exp. & General Fund	\$337,612	\$326,272	\$ 11,340
	=====	=====	=====
<u>Additions</u>			
Budget Amendments	\$ -0-	\$ 13,161	\$(13,161)
	=====	=====	=====

Personal services were overexpended as the program had no vacancy savings. Operating expenses were \$17,028 less than appropriated, as contract services had \$8,813 less printing and less computer development for data processing. Supplies were down \$2,313 due mainly to gasoline. Travel was \$4,813 less than appropriated due to less in-state personal car use and in-state meals.

Equipment had been appropriated at \$19,491, but was reduced \$6,890 due to the 2 percent cut. Even after the 2 percent cut equipment expenditures were \$4,815 less than budgeted. An automobile was purchased as well as \$513 of office equipment.

The bureau received a budget amendment for funds from a Board of Crime Control grant to review arson problem areas in the state, to reactivate arson investigation teams, to establish an arson investigation advisory committee, and to purchase a micro-computer for arson statistics and analysis. Of the \$18,237 authorized, \$13,161 was spent.

Current Level Adjustments

Current level expenditures increase \$669 before inflation due to a repair and maintenance contract. Photographic supplies decrease \$407 and other minor adjustments result in a net decrease of \$89. Equipment allows one vehicle replacement each year and a flammable gas detector each year of the biennium.

IDENTIFICATION BUREAU

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	8.00	8.00	7.00	7.00	(1.00)
Personal Service	\$166,664	\$161,184	\$164,152	\$164,002	0.1
Operating Expense	66,492	69,748	67,003	68,507	(0.5)
Equipment	563	908	5,000	-0-	239.9
Total Expenditures	\$233,719	\$231,840	\$236,155	\$232,509	0.7
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$233,719	\$231,840	\$236,155	\$232,509	0.7
	=====	=====	=====	=====	=====

The Identification Bureau staff collect, process, preserve, and disseminate accurate criminal history record information; provide latent print services; and provide related training to criminal justice agencies throughout the state and nation.

The bureau maintains the automated Criminal History Record Information System, which contains arrest records, charges, dispositions, and descriptions on individuals who have criminal histories. This file is available to all law enforcement officials who have access to the Law Enforcement Network System.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 14
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	8.00	8.00	0.00
Personal Service	\$172,924	\$166,664	\$6,260
Operating Expense	67,058	66,492	566
Equipment	825	563	262
Total Exp. & General Fund	\$240,807	\$233,719	\$7,088
	=====	=====	=====

Personal services are less than anticipated and hours worked were 6 percent less than budgeted due primarily to a vacancy in the grade 6 administrative clerk position.

Current Level Adjustments

FTE are reduced by a 1.00 grade 6 administrative clerk as requested by the agency. Operating expenses are continued at current level with very minor changes.

Equipment requested is \$5,000 for replacement and installation of a fuming cabinet.

CRIMINAL INVESTIGATION BUREAU					
<u>Budget Item</u>	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	\$155,294	\$177,788	\$180,320	\$180,324	8.3
Operating Expense	46,919	47,613	44,173	44,742	(5.9)
Equipment	3,946	-0-	6,935	-0-	75.7
Total Expenditures	<u>\$206,159</u>	<u>\$225,401</u>	<u>\$231,428</u>	<u>\$225,066</u>	<u>5.8</u>
<u>Fund Sources</u>					
General Fund	\$156,840	\$155,109	\$174,108	\$167,647	9.6
Federal Revenue	49,319	70,292	57,320	57,419	(4.1)
Total Funds	<u>\$206,159</u>	<u>\$225,401</u>	<u>\$231,428</u>	<u>\$225,066</u>	<u>5.8</u>

The Criminal Investigation Bureau staff is required by statute to assist city, county, state, and federal law enforcement agencies at their request by providing expert and immediate aid investigation and solution of felonies committed in Montana and by investigating apparent violations of penal statutes disclosed by the audit of a state agency conducted by the Legislative Auditor and reported by him to the Attorney General and the Governor. The program also collects, analyzes, and disseminates criminal investigative information throughout the law enforcement community in Montana and other states.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 15
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	6.00	6.00	0.00
Personal Service	\$176,389	\$155,294	\$21,095
Operating Expense	55,110	43,619	11,491
Equipment	-0-	246	(246)
Total Expenditures	<u>\$231,499</u>	<u>\$199,159</u>	<u>\$32,340</u>
<u>Funding</u>			
General Fund	\$162,268	\$156,840	\$ 5,428
Federal Revenue	<u>69,231</u>	<u>42,319</u>	<u>26,912</u>
Total Funds	<u>\$231,499</u>	<u>\$199,159</u>	<u>\$32,340</u>
<u>Additions</u>			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 7,000</u>	<u>\$(7,000)</u>

Personal services were \$21,095 less than appropriated due to 17 percent vacancy savings. A secretary III position was filled only 38 percent of the year. Two other positions, a criminal investigator and a program officer II position, were vacant approximately 20 percent of the time.

Operating expenses were \$11,491 less than appropriated due primarily to travel decreases in the federal Rocky Mountain Information System Network.

Of the \$15,000 budget amended federal funds, \$7,000 was expended to locate and eradicate illicit domestic marijuana fields and to investigate and prosecute these cases.

Current Level Adjustments

The six current level FTE are continued with 4 percent vacancy savings. Although this program had 17 percent vacancy savings in fiscal 1986, the general funded positions had less than 6 percent vacancy savings while the federally funded positions were vacant 61 percent of the time.

Operating expenses have minor adjustments that add \$108 before inflation.

Equipment of \$6,935 is for recorder/transcribers and photographic equipment.

Funding

Federal funds are from the Rocky Mountain Information System (RMIN), which is an eight state regional intelligence sharing network comprised of local, state, and federal intelligence agencies. RMIN's goal is to provide law enforcement agencies with support in the detection, enforcement, and prosecution of criminal activities that cross jurisdictional boundaries. These federal funds support 2 FTE, a grade 9 secretary and a grade 15 program officer, and 30 percent of the operating expenses. General fund increases as federal funds decrease in this biennium because federal funds were supporting more non-current level FTE in fiscal 1987.

CRIMINAL INVESTIGATION - COAL BOARD

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	5.00	5.00	5.00	5.00	0.00
Personal Service	\$164,808	\$145,709	\$146,789	\$146,840	(5.4)
Operating Expense	86,161	125,666	91,820	92,282	(13.1)
Equipment	16,619	-0-	-0-	-0-	(100.0)
Total Expenditures	\$267,588 =====	\$271,375 =====	\$238,609 =====	\$239,122 =====	(11.4) =====
<u>Fund Sources</u>					
Federal Revenue	\$267,588 =====	\$271,375 =====	\$238,609 =====	\$239,122 =====	(11.4) =====

The Criminal Investigation - Coal Board Program provides undercover criminal investigative services, primarily in illegal drugs and stolen property, to the Eastern Coal Counties Task Force. Funding for this program is a grant from the Eastern Coal Counties Task Force, which receives its funding from the Montana Coal Board. The counties served are Yellowstone, Big Horn, Rosebud, Treasure, and Powder River.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 16
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	5.00	5.00	0.00
Personal Service	\$145,647	\$154,978	\$ (9,331)
Operating Expense	120,227	76,083	44,144
Equipment	-0-	871	(871)
Total Exp. & Coal Bd. Grant	<u>\$265,874</u>	<u>\$231,932</u>	<u>\$ 33,942</u>
<u>Additions</u>			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 35,656</u>	<u>\$ (35,656)</u>

Personal services were overexpended as there were no vacancy savings and 100 percent of the 224 legal services staff hours provided by the county prosecutors program were charged to this program.

Operating expenses were \$44,144 less than appropriated due primarily to contract services being \$55,000 less than appropriated, while travel was \$5,000 and communications \$4,000 more than anticipated. Contract services were down as consultant and professional services anticipated at \$24,000 were only \$719; insurance and bond costs were \$10,386 less because the Eastern Coal Counties Task Force directly paid \$12,000 of insurance; and general contract services authority of \$22,523 was not used.

A budget amendment, funded by a Montana Board of Crime Control grant, was approved to provide a covert law enforcement project addressing narcotics and stolen property crime in the five county areas under the Eastern Coal Counties Task Force.

Current Level Adjustments

This program was funded as requested, which adds two major items to expenses--insurance and bond payments of \$12,000 and rent of private space of \$4,698.

Funding

The program is funded from the Eastern Coal Counties Task Force, which has received the dollars through a Montana Coal Board grant. Continued coal board funding may be questionable.

CENTRAL SERVICES DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	10.00	10.00	10.00	10.00	0.00
Personal Service	\$269,882	\$271,422	\$274,837	\$274,687	1.5
Operating Expense*	98,535	103,026	113,673	85,199	(1.3)
Equipment	7,348	8,241	11,000	11,000	41.1
Total Expenditures	\$375,765 =====	\$382,689 =====	\$399,510 =====	\$370,886 =====	1.6 =====
<u>Fund Sources</u>					
General Fund	\$353,682	\$372,664	\$367,444	\$359,060	0.0
State Special	21,488	10,025	31,488	11,826	37.4
Other	595	-0-	578	-0-	(2.9)
Total Funds	\$375,765 =====	\$382,689 =====	\$399,510 =====	\$370,886 =====	1.6 =====

*Fiscal 1987 includes \$15,793 of the biennial legislative audit appropriation not expended in fiscal 1986.

The Central Services Division staff provide the administrative, budgeting, accounting, and fiscal support for the Department of Justice.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 17
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature*</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	10.00	10.00	0.00
Personal Service	\$262,299	\$269,882	\$(7,583)
Operating Expense	99,920	98,535	1,385
Equipment	26,631	7,348	19,283
Total Expenditures	<u>\$388,850</u>	<u>\$375,765</u>	<u>\$13,085</u>
Funding			
General Fund	\$349,896	\$353,682	\$(3,786)
State Special	38,359	21,488	16,871
Other Funds	595	595	-0-
Total Funds	<u>\$388,850</u>	<u>\$375,765</u>	<u>\$13,085</u>

*These figures do not include \$15,793 of the biennial Legislative Audit appropriation which was not expended in fiscal 1986.

Personal services were more than anticipated because the \$7,384 Governor's 2 percent cut was taken from personal services. The agency used 2.5 percent fewer hours than 10 FTE would have provided.

Operating expenses were \$1,385 less than anticipated.

Equipment of \$19,283 was not expended as \$25,000 of state special revenue spending authority was given to use insurance proceeds for replacement items and \$16,871 of this authority was not used.

The program spent \$3,786 more general fund than appropriated. This overexpenditure was covered by a \$5,000 general fund transfer from the Legal Services Program.

Current Level Adjustments

The legislative audit fees are a biennial appropriation and the full amount, \$28,914, shows in fiscal 1988 operating expenses. The audit fees in the 1987 biennium were \$29,747, of which \$13,954 was expended in fiscal 1986. Equipment and supplies replacement from insurance is included at \$11,826 a year as requested by the agency. All other changes are minor and amount to less than 1 percent of the budget.

Funding

This program is supported by general funds with the exception of \$20,240 of the audit fees and \$11,826 of insurance reimbursement for equipment and supplies replacement.

DATA PROCESSING DIVISION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	15.00	10.00	14.00	14.00	4.00
Personal Service	\$337,334	\$292,563	\$396,979	\$396,583	26.0
Operating Expense	456,690	14,716	501,772	498,820	112.3
Equipment	10,153	395	2,500	2,500	(52.6)
Total Expenditures	\$804,177	\$307,674	\$901,251	\$897,903	61.8
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$310,795	\$307,674	\$316,779	\$316,380	2.4
State Special	493,382	-0-	584,472	581,523	136.3
Total Funds	\$804,177	\$307,674	\$901,251	\$897,903	61.8
	=====	=====	=====	=====	=====
- - - - - Fiscal 1988 - - - - - - - - - - Fiscal 1989 - - - - -					
<u>ISSUES:</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. CJIN User Fees					
Option A	\$(60,000)	\$60,000	\$(60,000)	\$60,000	
Option B	(16,500)	16,500	(28,900)	28,900	

The Data Processing Program provides a full range of automated data processing and telecommunication services for the Department of Justice including: system development and maintenance of the motor vehicle registration system, driver history system, criminal history record information system, and Montana Uniform Crime Report; computer operator support for the Armory computer center; and system development and support for the Criminal Justice Information Network (CJIN). CJIN links law enforcement/criminal justice agencies with information sources at local, state, and national levels by interfacing with the National Law Enforcement Telecommunications System (NLETS), the National Crime Information Center (NCIC), and numerous State of Montana files.

The main table shows a 61.8 percent increase in the 1989 biennium only because the fiscal 1987 column is shown as appropriated by the legislature, and does not include \$557,338 in program transfers that are reflected in the other columns. Were the transfers included in the fiscal 1987 column, only a 7.8 percent increase would be reflected.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 18
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	10.00	15.00	(5.00)
Personal Service	\$300,085	\$337,334	\$ (37,249)
Operating Expense	12,342	456,690	(444,348)
Equipment	1,000	10,153	(9,153)
Total Expenditures	<u>\$313,427</u>	<u>\$804,177</u>	<u>\$(490,750)</u>
<u>Funding</u>			
General Fund	\$313,427	\$310,795	\$ 2,632
State Special	-0-	493,382	(493,382)
Total Funds	<u>\$313,427</u>	<u>\$804,177</u>	<u>\$(490,750)</u>

Through program transfers of 2 FTE from the Highway Patrol Division and 3 FTE from the Driver Services Bureau, there were 5 FTE and \$188,000 of criminal justice information network funds and \$305,382 of motor vehicle funds added to this program. This program transfer was to add the criminal justice information network system to the Data Processing Division.

With the program transfers there is only \$37,249 more expended than anticipated in personal services due to 14 percent vacancy savings and some of the dollars expended being shown in the previous program. However, the agency changed the grades of four FTE by different use of the position for a cost increase of approximately \$10,400 a year.

Operating expenses and equipment show a large increase due to the transfers.

Current Level Adjustments

A total of 5 FTE were added to the Data Processing Division through program transfers as discussed above, but a programmer analyst I position grade 12 was eliminated as it was vacant all of fiscal 1986 and to date in fiscal 1987, for a net increase in current level FTE of 4.0.

Operating expenses increase about \$60,000 to support the computer system. Charges by the Department of Administration are increased \$46,812 while electricity of \$14,370 is added in fiscal 1988 and \$16,612 in fiscal 1989 to maintain the computer in the Army National Guard building. Communication costs are decreased \$7,500 to eliminate the free phone line from the law enforcement agencies to the central staff

maintaining the criminal justice information system. There are people trained at the local level to troubleshoot system problems, and the agency felt there was no need to continue this phone line. Other expenses decrease about \$3,300 for changes requested by the department to eliminate relocation costs and reduce building repairs.

Equipment of \$2,500 a year is included to maintain the present data processing system.

Funding

There are three funding sources for this program--general fund, user fees, and motor vehicle fees. Table 19 shows the user fees paid in fiscal 1984, 1985, and 1986. The state government agencies who pay the fees are the Montana Highway Patrol, the Department of Revenue, the Identification Bureau, and Montana State Prison.

Table 19
Revenue Collection for the Criminal Investigation Network

<u>User</u>	<u>Fiscal 1984</u>	<u>Fiscal 1985</u>	<u>Fiscal 1986</u>
Cities	\$ 37,052	\$ 37,436	\$ 38,416
Counties	94,581	92,832	107,500
Federal Government	8,604	7,409	9,420
State Government	31,548	31,309	29,719
Total	<u>\$171,785</u>	<u>\$168,986</u>	<u>\$185,055</u>

The general fund is maintained to support the 10 FTE and operating expenses in the program before the reorganization occurred. User fees are maintained at the \$188,000 level appropriated in fiscal 1986. Motor vehicle fees are used for the remainder.

ISSUE 1: CJIN USER FEES

Users of the CJIN pay from \$132 to \$263 per month, depending on county classification. Non-county entities pay \$263 per month to be in the CJIN. This rate has not been increased since fiscal 1986.

Basic computer costs have risen from \$395,000 in fiscal 1983 to \$523,000 in fiscal 1986 or 32 percent. If the users fee were to increase proportionately the revenue would increase to \$244,000 should no one drop the service.

Option A: Increase the user fee by 32 percent for a general fund savings of \$60,000.

Option B: Increase the user fee for the CPI change from fiscal 1984 for a general fund savings of \$16,500 in fiscal 1988 and \$28,900 in fiscal 1989.

Option C: Do not increase the user fee.

EXTRADITION AND TRANSPORTATION OF PRISONERS PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expense	<u>\$147,337</u>	<u>\$158,457</u>	<u>\$147,321</u>	<u>\$147,337</u>	<u>(3.6)</u>
Fund Sources					
General Fund	<u>\$147,337</u>	<u>\$158,457</u>	<u>\$147,321</u>	<u>\$147,337</u>	<u>(3.6)</u>

The Extradition and Transportation of Prisoners Program pays claims to sheriffs for expenses of transporting certain prisoners to state prison and for claims of any agent employed by the state to return a fugitive from justice to this state by order of the Governor.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 20
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	0.00	0.00	0.00
Operating Exp. and Gen. Fund	<u>\$159,362</u>	<u>\$147,337</u>	<u>\$12,025</u>

There was \$12,025 less expended on transporting prisoners than budgeted. Total expenditures were less than fiscal 1984 and fiscal 1985, which were \$153,403 and \$155,365, respectively.

Current Level Adjustments

Current level is actual fiscal 1986 expenditures with the Office of Budget and Program Planning inflation factors.

FORENSIC SCIENCE DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	15.00	15.00	15.00	15.00	0.00
Personal Service	\$477,603	\$478,677	\$497,372	\$496,954	4.0
Operating Expense	210,287	180,848	270,427	275,646	39.6
Equipment	49,457	-0-	31,282	23,132	10.0
Total Expenditures	\$737,347 =====	\$659,525 =====	\$799,081 =====	\$795,732 =====	14.2 =====
<u>Fund Sources</u>					
General Fund	\$ -0-	\$ -0-	\$655,246	\$652,500	100.0
State Special	733,126	659,525	143,835	143,232	(79.4)
Federal Revenue	4,221	-0-	-0-	-0-	(100.0)
Total Funds	\$737,347 =====	\$659,525 =====	\$799,081 =====	\$795,732 =====	14.2 =====

The Forensic Science Program, which includes the Crime Laboratory, provides for a statewide system of death investigations, forensic science training, scientific criminal investigations in the state, and scientific analysis of specimens submitted by law enforcement officials, coroners, and state agencies. The laboratory analyzes blood, breath, and urine samples taken by law enforcement officers in connection with driving under the influence of alcohol or drugs (DUI) cases. The laboratory also performs drug and alcohol screens for the state Department of Institutions.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 21
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	15.00	15.00	0.00
Personal Service	\$481,585	\$477,603	\$ 3,982
Operating Expense	177,270	206,066	(28,796)
Equipment	<u>48,025</u>	<u>49,457</u>	<u>(1,432)</u>
Total Exp. & State Spec. Rev.	<u>\$706,880</u>	<u>\$733,126</u>	<u>\$(26,246)</u>
<u>Additions</u>			
Budget Amendments	<u>\$-0-</u>	<u>\$ 4,221</u>	<u>\$(4,221)</u>

The overexpenditures in fiscal 1986 were covered by a \$30,000 transfer of motor vehicle fees from the Data Processing Division and the Drivers' Services Bureau.

Personal services were very close to the anticipated level. There were 1.5 percent less hours paid for than 15 FTE with no vacancy savings would work. There were 2 upgrades from grade 13 to grade 15, which will result in about a \$8,400 cost increase in future years for the same number of FTE. Also, the state medical examiner's salary increased 6.3 percent in comparison to 1.6 percent in the state pay plan.

Operating expenses were \$28,796 more than appropriated due to increases in communications, rent, repairs and maintenance and other expenses. Communications were up due to postage, advertising, and phone calls. Rent was up due to a \$13,000 increase in building rent. Repairs and maintenance was up due to a \$6,000 repair on building and grounds and for laboratory equipment. Other expenses were up due to relocation costs of \$3,000.

Equipment funded versus that purchased is shown in Table 22.

Table 22
Comparison of Equipment Funded to Purchased for Fiscal 1986

Item	Appropriated	Purchased	Difference
Model 433 - Gaschromatograph	\$28,900	\$27,720	\$1,180
Linear Dual Pen Recorder	1,300	-0-	1,300
Pyroprobe Pyrolyzer	5,125	5,745	(620)
Beckman Dual Pen Recorder	1,350	-0-	1,350
Forma Water Bath	1,900	1,105	795
Houston Dual Pen Recorder	1,391	1,275	116
Diamond Cell	5,000	1,670	3,330
Sarvall Centrifuge	2,234	3,134	(900)
Beckman Microfuge Centrifuge	825	898	(73)
Hydrogen Generator	-0-	2,645	(2,645)
Refrigerators (2)	-0-	1,090	(1,090)
Shelving	-0-	3,506	(3,506)
Desks (6)	-0-	450	(450)
Autopsy Instrument Table	-0-	219	(219)
Total	<u>\$48,025</u>	<u>\$49,457</u>	<u>\$(1,432)</u>

A budget amendment, funded by a Highway Traffic Safety grant, was approved to provide training for one employee in the repair of breath testing equipment and to provide an inventory of spare parts for the equipment. Of the \$6,000 awarded, \$4,221 was expended in fiscal 1986.

Current Level Adjustments

Overall, operating expenses increase \$60,140 from fiscal 1986 to fiscal 1988, a 28.6 percent increase. The major reasons are a large building rent increase and increased equipment maintenance costs. Rent increases \$42,108 over the base year, but is offset by a decrease in utility and garbage removal costs of \$4,432 that are now included in rent, for a net increase in rent/utility costs of \$37,676, or 77.7 percent. The increase is due to the move to a new building after the state architect cited unsafe structural conditions in the old building. Equipment maintenance costs increase \$23,114 in fiscal 1988 and \$26,809 in fiscal 1989. Maintenance costs on general laboratory equipment increased \$7,769 in fiscal 1988, or 52 percent. The increase can be partially attributed to expiration of warranty periods. The majority of the maintenance increase, \$15,345, was on DUI program breath testing equipment. The warranties on most of the equipment, purchased in 1984 and later, expire in the 1989 biennium. Other cost increases include \$3,958 for a new janitorial contract in the new facility, inflationary increases in lab costs of \$3,848 in fiscal 1988 and an additional \$2,916 in fiscal 1989, increased phone charges of \$2,790, and \$2,055 in fiscal 1988 only for safety supplies to comply with OSHA requirements. Operating expense decreases include one-time relocation expenses for the lab of \$5,315, personnel of \$1,504, telephones of \$1,905, and security alarm system costs of \$2,319. Other minor adjustments and inflation resulted in a net increase over the base year of \$1,983.

Office equipment includes a typewriter in fiscal 1988 as well as a new filing cabinet in each year of the biennium. Current level includes \$30,000 for scientific equipment in fiscal 1988 and \$23,000 in fiscal 1989. The priority replacement items were two gas chromatographs, electrophoresis power supplies, an analytical balance, and two fume hoods. The cost of these items is estimated at \$10,000 over the amount funded.

Funding

The Forensic Science Division is funded at approximately 18 percent of total costs by alcoholism treatment state special revenue funds. In the 1987 biennium, the balance was funded out of motor vehicle state special revenue funds. However, due to a shortage of motor vehicle funds, funding for the forensic science program is returned to the general fund.

HIGHWAY TRAFFIC SAFETY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	8.50	\$ -0-	\$2,337,964
LFA Current Level	8.50	-0-	2,353,673
Executive Over (Under) LFA	<u>0.00</u>	<u>\$ -0-</u>	<u>\$ (15,709)</u>

The executive budget is \$15,709 below LFA current level. The executive budget reduces personal services \$20,680 for vacancy savings while the LFA current level did not apply vacancy savings to this agency. However, the vacancy savings in the executive budget is partially offset by higher operating costs of \$4,330. The executive budget operating expenses exceed LFA current level by \$1,770 for supplies and materials and by \$2,800 for dues. The executive budget equipment allowance exceeds LFA current level by \$643.

ISSUE 1: VACANCY SAVINGS

The executive budget has a 4 percent vacancy savings each year which accounts for a difference of \$20,680. The LFA policy was to take a zero vacancy savings in agencies of less than 20 FTE.

HIGHWAY TRAFFIC SAFETY					
<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	8.50	8.50	8.50	8.50	0.00
Personal Service	\$ 245,222	\$ 251,429	\$ 258,645	\$ 258,273	4.1
Operating Expense	315,357	203,252	197,587	195,768	(24.2)
Equipment	14,886	-0-	1,500	1,900	(77.2)
Total Operating Costs	\$ 575,465	\$ 454,681	\$ 457,732	\$ 455,941	(11.3)
Non-Operating Costs	933,701	1,100,000	720,000	720,000	(29.2)
Total Expenditures	\$1,509,166 =====	\$1,554,681 =====	\$1,177,732 =====	\$1,175,941 =====	(23.2) =====
<u>Fund Sources</u>					
State Special	\$ 70,794	\$ 69,412	\$ 72,000	\$ 72,000	2.7
Federal Revenue	1,438,372	1,485,269	1,105,732	1,103,941	(24.4)
Total Funds	\$1,509,166 =====	\$1,554,681 =====	\$1,177,732 =====	\$1,175,941 =====	(23.2) =====

Highway Traffic Safety assists local and state governmental entities in promoting traffic safety in order to reduce death, injury, and property loss that result from highway traffic accidents. Current program priorities include alcohol education and occupant restraint usage projects.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 1 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Although all positions were filled throughout the year and no vacancy savings was experienced, personal services were below the appropriation due to a higher allocation of pay plan than actual requirements. Operating expenses were less than budgeted primarily due to reduced travel costs and non-spending in fiscal 1986 of the biennial audit appropriation of \$2,437. Equipment costs exceeded the budget due to the purchase of a van at \$2,750 over budget and the purchase of several small unbudgeted equipment items. Expenditures from grants to state and local agencies were \$166,299 less than budgeted. The department administrator stated that this was due to reversions of grant awards by subgrantees.

One budget amendment for \$125,300 of federal funds was approved in fiscal 1986. These funds were for an Occupant Restraint/Drunk Driving program. The program goal was to educate the public as to the hazards of drunk driving and to the benefits of wearing seat belts.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.50	8.50	0.00
Personal Service	\$ 250,807	\$ 245,222	\$ 5,585
Operating Expense	201,812	190,057	11,755
Equipment	<u>10,000</u>	<u>14,886</u>	<u>(4,886)</u>
Total Operating Costs	\$ 462,619	\$ 450,165	\$ 12,454
Grants	<u>1,100,000</u>	<u>933,701</u>	<u>166,299</u>
Total Expenditures	<u>\$1,562,619</u>	<u>\$1,383,866</u>	<u>\$ 178,753</u>
<u>Funding</u>			
State Special	\$ 72,525	\$ 70,794	\$ 1,731
Federal Revenue	<u>1,490,094</u>	<u>1,313,072</u>	<u>177,022</u>
Total Funds	<u>\$1,562,619</u>	<u>\$1,383,866</u>	<u>\$ 178,753</u>
<u>Additions</u>			
Budget Amendment	<u>\$ -0-</u>	<u>\$ 125,300</u>	<u>\$(125,300)</u>

Current Level Adjustments

One-time operating costs of \$125,300 from a special grant to the agency were removed from the fiscal 1986 base. Operating costs are increased for audit fees of \$2,364 in fiscal 1988 only. Operating costs of approximately \$3,000 are added each year for increased data processing and subscription fees paid to the Department of Administration. Equipment costs are \$1,200 for computer and field monitoring equipment replacement, \$300 for additional films for the film library, and \$400 to purchase a typewriter in fiscal 1989. Grant funds available for distribution to state and local agencies were reduced by \$213,700 due to a decrease in federal funds available for the grant program.

Funding is provided by the National Highway Traffic Safety Administration. A 50 percent state match on administration and planning costs is required in order to secure the federal funds. The state's 50 percent match for administration and planning costs is from the highway gas tax. The federal funds that are not used for program administration are allocated in the ratio of 60 percent to local government and 40 percent to state agencies.

BOARD OF CRIME CONTROL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	13.0	\$927,550	\$2,617,550
LFA Current Level	<u>13.0</u>	<u>955,567</u>	<u>2,645,567</u>
Executive Over (Under) LFA	<u><u>0.0</u></u>	<u><u>\$(28,017)</u></u>	<u><u>\$(28,017)</u></u>

The executive budget is \$28,017 below LFA current level. The executive budget reduces personal services \$33,000 for vacancy savings while LFA current level did not apply vacancy savings to this agency. However, the vacancy savings in the executive budget is partially offset by higher operating costs of \$5,470. The executive budget operating expenses exceed LFA current level by \$1,740 for educational supplies and \$4,080 for minor tools and equipment.

Both the executive budget and LFA current level include \$762,500 in federal grant funds. However, the executive budget does not include those funds as current level, but as a modified request. They are included in LFA current level because they are grant programs that have been a continuing program of the Board of Crime Control in prior bienniums, and were added in the 1987 biennium by budget amendment only because the funds were not anticipated during the regular legislative session.

ISSUE 1: VACANCY SAVINGS

The executive budget has a 4 percent vacancy savings each year which accounts for a difference of \$33,000. The LFA policy was to take a zero vacancy savings in agencies of less than 20 FTE.

BOARD OF CRIME CONTROL

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	14.00	13.00	13.00	13.00	0.00
Personal Service	\$ 408,043	\$392,077	\$ 414,049	\$ 413,948	3.5
Operating Expense	165,138	168,909	147,191	138,379	(14.5)
Equipment	5,965	500	3,500	3,500	8.3
Total Operating Costs	\$ 579,146	\$561,486	\$ 564,740	\$ 555,827	(1.8)
Grant Funds*	554,050	-0-	762,500	762,500	175.2
Total Expenditures	\$1,133,196 =====	\$561,486 =====	\$1,327,240 =====	\$1,318,327 =====	56.1 =====
<u>Fund Sources</u>					
General Fund	\$ 480,363	\$ 477,415	\$ 482,240	\$ 473,327	(0.2)
Federal Revenue - Admin	98,783	84,071	82,500	82,500	(9.8)
Federal Revenue - Grants	554,050	-0-	762,500	762,500	175.2
Total Funds	\$1,133,196 =====	\$561,486 =====	\$1,327,240 =====	\$1,318,327 =====	56.1 =====

*Grant funds are excluded in fiscal 1987. Funds were brought in by budget amendment.

The Montana Board of Crime Control is governed by a supervisory board of 18 members, appointed by the Governor and representing law enforcement and criminal justice agencies. The major source of funding for this agency until fiscal 1984 was the now defunct Law Enforcement Assistance Administration.

The mission of the Board of Crime Control is to promote public safety by strengthening the coordination and performance of the criminal and juvenile justice system and by increasing citizen and public official support and involvement in criminal justice. In addition to administering several federal action grant programs related to criminal justice, the agency provides technical and supportive services in the areas of jail improvement, management and statistical analysis, crime prevention, crimestoppers, manpower development, information systems, and residential programs for youth in trouble, and establishes minimum law enforcement standards for personnel, equipment and procedures, as well as certification of law enforcement officers. The agency also administers a juvenile justice training program for law enforcement officials.

The agency has four bureaus. The Juvenile Justice Bureau is responsible for the juvenile justice training program and curriculum, management of the juvenile probation information system, and distribution of funds awarded to the state under the Juvenile Justice Act. The Planning and Research Bureau maintains the Montana Uniform Crime Reporting program and a law enforcement inventory of manpower and equipment for all the law enforcement agencies in the state. The Peace Officers Standards and Training (P.O.S.T.) Bureau develops standards for the selection and

training of peace officers, including highway patrolmen, deputy sheriffs, undersheriffs, city police officers, fish and game officials, and campus, airport and other security police. The Financial and Technical Assistance Bureau is responsible for administration of the federal grant programs distributed by the agency, coordinates technical assistance programs to state agencies and local law enforcement agencies, and provides accounting and administrative support to the other bureaus.

Table 1 shows the expenditures per bureau before budget amendments in fiscal 1986, plus the amount of federal pass-through grants administered.

Table 1
Board of Crime Control Expenditures Per Bureau
Fiscal 1986

Bureau	General Fund	Federal	Subtotal	Pass-Through Grants	Total
Post	\$ 72,788	\$ -0-	\$ 72,788	\$ -0-	\$ 72,788
Financial/Technical Asst.	225,658	-0-	225,658	554,052	779,710
Planning and Research	123,557	-0-	123,557	-0-	123,557
Juvenile Justice	58,360	79,008	137,368	442,928	580,296
Total	\$480,363 =====	\$79,008 =====	\$559,371 =====	\$996,980 =====	\$1,556,351 =====

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	14.00	14.00	0.00
Personal Service	\$407,988	\$408,043	\$ (55)
Operating Expense	153,580	148,486	5,094
Equipment	500	2,842	(2,342)
Total Expenditures	\$562,068	\$559,371	\$==2,697==
Funding			
General Fund	\$481,139	\$480,363	\$ 776
Federal Revenue	80,929	79,008	1,921
Total Funds	\$562,068	\$559,371	\$==2,697==
Additions			
Budget Amendments	\$ -0- =====	\$573,825 =====	\$(573,825) =====

The difference between what the legislature appropriated and what the agency actually spent in operating expenses was primarily in contracted services, where the agency took the two percent cut. This was reflected in fewer consultant and professional service contracts and decreased photographic and printing costs.

Six budget amendments were approved. They included \$8,383 to analyze the current juvenile justice information system, \$34,226 to create a council for the reorganization and improvement of services to Montana's problem youth, \$13,349 to develop a statewide jail information system for budget and construction planning, \$8,582 to study juvenile detention facilities in Montana, and \$224,000 and \$396,000 respectively for the Victims of Crime and Criminal Justice Block Grant pass-through programs. Total expenditures for these budget amendments were \$573,825 or \$110,715 less than requested in the budget amendment.

Current Level Adjustments

The agency met part of its five percent cut in fiscal 1987 by vacating one statistical clerk position, reducing personnel services by \$16,600. The position was deleted and the agency did not request to reinstate the position in the 1989 biennium. No vacancy savings was taken from this agency due to its small size.

Data entry costs were reduced by over \$10,000 due to the conversion of the Montana Uniform Crime Reporting System data entry to the existing Criminal Justice Information Network, allowing many local law enforcement agencies to enter their own data directly. Printing costs were increased by \$2,900 to allow for printing of several forms in addition to the costs of two major publications. Reductions were made to the dues and minor tools categories for one-time expenditures. Audit fees of \$9,522 are included in fiscal 1988 only.

Equipment costs are for the purchase of one computer each year of the biennium for the juvenile justice program.

Three federal pass-through grant programs are included in current level. Two of the programs, the Victims of Crime for \$224,000, and the Criminal Justice Block Grant for \$396,000, were not included in the 1987 biennium request because it appeared that funding for sub-grant programs had been depleted. When funds later became available, they were added by budget amendment. Since they are on-going grant programs, they were added to current level. The third sub-grant program, with juvenile justice grant funds of \$142,500, had previously been treated as agency funds and not budgeted; however, beginning in fiscal 1988 the funds will be treated as federal revenues and included in the appropriation process, at the recommendation of the Legislative Auditor.

DEPARTMENT OF REVENUE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium - - - - - General Fund	Total Funds
Executive Budget	737.67	\$35,703,843	\$42,224,728
LFA Current Level	710.67	33,722,735	49,713,512
Executive Over (Under) LFA	<u>27.00</u>	<u>\$ 1,981,108</u>	<u>\$(7,488,784)</u>

The executive budget has 27 more FTE, \$1.98 million more general fund, and \$7.5 million less total funds than the LFA current level budget. These differences are caused by the executive recommending 8 budget modifications and other adjustments adding 33.5 FTE, \$2.25 million general fund and approximately \$586,000 other funds. These additions are offset by 6.5 FTE, \$273,000 general fund, and \$10 million other funds for services and expenditures included in LFA current level but not in the executive budget.

Liquor Division funding is not included in the comparison because the legislature has not chosen in past years to appropriate authority to the division by expenditure line item; rather, language has been included in the general appropriations act specifying certain operating conditions the Liquor Division is to operate under. No specific dollar amount was included in LFA current level for the Liquor Division.

ISSUE 1: MODIFICATION RECOMMENDATIONS

The executive budget modifications include four proposals that relate to services approved by the 1985 legislature, but required in the general appropriations act to be deleted from the agency's current level budget request for the 1989 biennium. The remaining four proposals concern new services. The executive recommendation for all modifications is presented in Table A.

Table A
Modified Recommendations in Executive Budget - Department of Revenue

Division	1989 FTE	- - - - - 1989 Biennium - - - - - General Fund	Other Funds	Total Funds
Data Processing	1.0	\$ 47,008	\$ -0-	\$ 47,008
Invest & Enforcement - Lottery	2.0	-0-	93,427	93,427
Invest & Enforcement - Child Support	9.0	157,667	306,060	463,727
Income Tax - Assessment Staff	15.5	618,072	-0-	618,072
Income Tax - Automation	---	93,000	-0-	93,000
Income Tax - Bed Tax	2.0	-0-	115,897	115,897
Nat. Resources and Corp. Tax - Revenue Agents	2.0	158,450	-0-	158,450
Property Assessment - Online System	1.0	29,197	-0-	29,197
Total Modifieds	<u>32.5</u>	<u>\$1,103,394</u>	<u>\$515,384</u>	<u>\$1,618,778</u>

ISSUE 2: HIGHER OPERATING COSTS

The executive recommends approximately \$731,900 higher operating and equipment costs than the amount included in the LFA current level. These higher costs are spread over most of the agency's divisions. The costs can be generally categorized into data processing charges (\$475,400), other operating expenses (\$60,000), and equipment (\$196,500). The higher overall operating expenses included in the executive budget are funded approximately \$700,000 from the general fund and the remaining \$31,900 from other funds.

ISSUE 3: CAREER LADDER IN NATURAL RESOURCES AND CORPORATION TAX DIVISION

The executive budget contains approximately \$29,400 general fund in the 1989 biennium for a "career ladder." A career ladder provides for position upgrades for personnel who remain with the department and become proficient in audit skills. LFA current level does not include the additional funds for the career ladder concept.

ISSUE 4: ELECTED ASSESSORS VACANCY SAVINGS

The executive budget contains approximately \$60,000 additional general fund than LFA current level because vacancy savings is not applied to the elected assessors. LFA current level applies 4 percent vacancy savings to all positions in the Property Assessment Division.

ISSUE 5: DATA PROCESSING FTE DELETION

LFA current level deleted a 1.0 FTE programmer/analyst in the Data Processing Division for a biennial general fund savings of \$46,075. This position was vacant over 50 percent of fiscal year 1986 and was still vacant as of November 7, 1986. Eight programmer/analyst FTE remain on staff.

ISSUE 6: RESOURCE INDEMNITY TRUST FUND INTEREST TRANSFERS

LFA current level includes \$9.6 million for resource indemnity trust fund interest transfers from the Department of Revenue to other state agencies as may be appropriated by the legislature. The department obtained temporary appropriation authority for these transfers in fiscal years 1986 and 1987 in the form of administrative appropriations. These funds are not statutorily appropriated and therefore require legislative authorization.

ISSUE 7: VIDEO POKER REGULATION

The executive budget moves the regulation function of the Video Poker Program to the same program in the Department of Commerce, which will administer the lottery function. LFA current level includes the video poker regulation function in the Department of Revenue's Investigations and Enforcement Division, which is where it was placed by the legislature for fiscal 1986 and 1987. This difference causes the LFA current level to include 4.0 FTE and \$255,110 more other funds than is included in the executive budget.

DEPARTMENT OF REVENUE					
Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	831.80	759.45	710.67	710.67	(48.78)
Personal Service	\$17,370,147	\$15,990,286	\$15,755,048	\$15,752,624	(5.6)
Operating Expense	4,104,162	3,971,118	4,003,098	3,873,312	(2.5)
Equipment	512,338	162,772	182,172	139,008	(52.4)
Total Operating Costs	\$21,986,647	\$20,124,176	\$19,940,318	\$19,764,944	(5.7)
Non-Operating Costs	1,871,374	160,000	5,276,750	4,731,500	392.7
Total Expenditures	<u>\$23,858,021</u>	<u>\$20,284,176</u>	<u>\$25,217,068</u>	<u>\$24,496,444</u>	<u>12.6</u>
Fund Sources					
General Fund	\$18,841,546	\$17,182,940	\$16,922,119	\$16,800,616	(6.4)
State Special	2,864,362	880,288	6,237,404	5,655,863	217.6
Federal Revenue	1,363,391	1,560,191	1,314,275	1,321,548	(9.8)
Proprietary Funds	788,722	660,757	743,270	718,417	0.9
Total Funds	<u>\$23,858,021</u>	<u>\$20,284,176</u>	<u>\$25,217,068</u>	<u>\$24,496,444</u>	<u>12.6</u>

The Department of Revenue is responsible for the collection and enforcement of approximately 31 state taxes and fees. It is also responsible for regulating the sale and distribution of alcoholic beverages. The department is organized into the director's office and eight operating divisions. The Liquor Division is not reflected in the agency main table.

The current level budget provides a 5.7 percent decrease in operating costs and a 392.7 percent increase in non-operating expenses resulting in an overall increase of 12.6 percent from the 1987 to the 1989 biennium. The primary reason for the operating cost decrease is the elimination of 121.13 FTE from the fiscal 1986 level and 48.78 FTE from the fiscal 1987 level. The FTE reductions result from scheduled FTE reductions between the 1987 and 1989 bienniums and further reductions to accommodate the 5 percent cuts and fiscal 1987 pay plan funding shortfall. The scheduled FTE reductions between the 1987 and 1989 bienniums were 24.0 temporary additional FTE added in fiscal 1986 to help complete the property reappraisal cycle and 35.0 FTE added in the investigations, income tax, and natural resources and corporation tax division but required by the 1985 legislature to be removed from the agency's 1989 biennium current level budget.

Non-operating costs include \$375,000 in the 1989 biennium for pass-through funds to local governments for medicaid fraud investigation and child support enforcement reimbursement. These costs also include \$9,633,250 for accounting entity transfers to enable the department to transfer resource indemnity trust (RIT) fund interest funds to other departments as may be authorized by the 1987 legislature. The accounting entity transfers had not previously been included in the legislatively authorized budget. Non-operating costs increase 392.7 percent in the 1989 biennium

due partly to the fiscal 1987 appropriated amount in the agency main table reflecting only federal pass-through funds for medicaid fraud investigation and child support enforcement activities.

The general fund contributes 69 percent of the total 1989 biennium current level budget and 85 percent of the operating budget. General fund will decrease 6.3 percent in the 1989 biennium under the current level budget.

State special revenue is budgeted to increase 217.6 percent primarily as the RIT transfers are funded from state special revenue. Federal funds are budgeted to decrease because the department eliminated the medicaid fraud program on which it spent \$103,500 in fiscal 1986 and the legislature appropriated \$112,589 in fiscal 1987, which is included in the agency main table.

Proprietary funds include liquor enterprise funds. These funds are allocated to the director's office and to the Data Processing and Investigations and Enforcement Divisions to cover costs relating to liquor operations in those divisions. These funds will increase less than 1 percent under the current level budget.

The current level budget for the Director's Office and eight operating divisions are presented following this section. To clarify the operating budget for the Director's Office, the Investigations and Enforcement Division, and the Property Assessment Division, the budget is presented in subprograms, but the current level budget is also summarized at the beginning of the discussion on each division.

DIRECTOR'S OFFICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	16.50	6.00	15.00	15.00	9.00
Personal Service	\$496,771	\$243,687	\$518,958	\$518,699	40.1
Operating Expense	207,566	96,671	258,437	143,715	32.7
Equipment	828	118	675	700	45.4
Total Operating Costs	<u>\$705,165</u>	<u>\$340,476</u>	<u>\$778,070</u>	<u>\$663,114</u>	<u>37.8</u>
<u>Fund Sources</u>					
General Fund	\$521,758	\$250,784	\$605,918	\$534,149	47.6
State Special	111,496	86,856	95,482	80,365	(11.4)
Proprietary Funds	71,911	2,836	76,670	48,600	67.6
Total Funds	<u>\$705,165</u>	<u>\$340,476</u>	<u>\$778,070</u>	<u>\$663,114</u>	<u>37.8</u>

The Director's Office provides management control, coordination of policy direction, strategic planning, and other services that assist the tax programs in carrying out their respective collection and enforcement responsibilities. The program

includes a wide variety of management and administrative services such as legal services, planning and research, and personnel.

The personnel function is responsible for administration of the classification and pay plans, development and monitoring of the department's affirmative action plan, development and implementation of the department training plan, and other services.

The legal function provides legal representation and other legal services to the Director and the eight divisions of the Department of Revenue, especially the tax administering divisions. The office handles a large number of tax appeals before the State Tax Appeal Board as well as state courts. The office also drafts legislation at the request of the divisions and the director.

In fiscal 1986, the department transferred 9 FTE from other divisions into the director's office. This FTE transfer is continued into the 1989 biennium and explains the 41.9 percent biennial expenditure increase.

This program is funded from general fund, an allocation from the highways special revenue fund, and liquor funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	7.50	16.50	(9.00)
Personal Service	\$245,276	\$496,771	\$(251,495)
Operating Expense	195,998	207,566	(11,568)
Equipment	367	828	(461)
Total Expenditures	<u>\$441,641</u>	<u>\$705,165</u>	<u>\$(263,524)</u>
<u>Funding</u>			
General Fund	\$325,114	\$521,758	\$(196,644)
State Special	88,941	111,496	(22,555)
Proprietary Funds	27,586	71,911	(44,325)
Total Funds	<u>\$441,641</u>	<u>\$705,165</u>	<u>\$(263,524)</u>

Fiscal 1986 actual expenditures exceeded the legislative authorization by \$263,524 as a result of the program transfers moving in the 9 FTE and related operating expenses. All expenditure categories were overspent. If the program transfers totaling \$305,180 were considered, the expenditure balance would be \$41,656. The

majority of that savings occurred in audit fees as the agency expended only \$61,816 of a \$99,750 audit appropriation, leaving a \$37,934 balance.

Presented below are the current level budgets for the Director's Office administrative function and its Office of Legal Affairs. The current level adjustments are discussed separately for each subprogram.

DIRECTOR'S OFFICE -- ADMINISTRATION

Budget Item	Actual	- - - - Current Level - - - - -	
	Fiscal 1986	Fiscal 1988	Fiscal 1989
FTE	9.00	8.50	8.50
Personal Services	\$268,894	\$284,114	\$283,999
Operating Expenses	175,887	227,109	112,225
Equipment	314	-0-	-0-
Total Operating Costs	<u>\$445,095</u>	<u>\$511,223</u>	<u>\$396,224</u>
<u>Fund Sources</u>			
General Fund	\$306,013	\$386,941	\$315,859
State Special	111,496	95,482	80,365
Proprietary Funds	<u>27,586</u>	<u>28,800</u>	<u>-0-</u>
Total Funds	<u>\$445,095</u>	<u>\$522,997</u>	<u>\$396,224</u>

Current level adjustments include a 0.5 FTE reduction from the fiscal 1986 level leaving 8.5 FTE in the director's office administration subprogram. Personal services increase over the fiscal 1986 level as the 8.5 FTE are funded from the fiscal 1987 salary matrix and a 1.0 FTE transferred to this program in February 1986 is funded for the full year.

Operating expenses include \$115,200 in fiscal 1988 for legislative audit costs and \$66,160 for insurance and bond costs.

The state special revenue funds are from the highways special revenue fund. Funding is set at approximately 12 percent of the Motor Fuels Division budget to help pay for the administrative costs provided by the department to the Motor Fuels Division. The proprietary fund is for the liquor division's share of the biennial audit costs.

DIRECTOR'S OFFICE -- LEGAL AFFAIRS

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>- - - - Current Level - - - - Fiscal 1987</u>	<u>Fiscal 1989</u>
FTE	7.50	6.50	6.50
Personal Services	\$227,877	\$234,844	\$234,700
Operating Expenses	31,679	31,328	31,490
Equipment	514	675	700
Total Operating Costs	<u>\$260,070</u>	<u>\$266,847</u>	<u>\$266,890</u>
<u>Fund Sources</u>			
General Fund	\$215,745	\$218,977	\$218,290
Other	44,325	47,870	48,600
Total Funds	<u>\$260,070</u>	<u>\$266,847</u>	<u>\$266,890</u>

Current level adjustments include a 1.0 FTE reduction for the 5 percent cuts and pay plan funding shortfall. Personal services is budgeted to increase over the fiscal 1986 level as the subprogram experienced vacancy savings in fiscal 1986 and because the 1989 biennium salaries are calculated using the fiscal 1987 pay matrix.

Operating expenses reflect the agency's budget request.

This subprogram is funded from the general fund and an allocation from the liquor proprietary fund.

CENTRALIZED SERVICES DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	37.27	35.27	35.27	35.27	0.00
Personal Service	\$ 733,691	\$748,029	\$ 752,047	\$ 752,324	1.5
Operating Expense	124,302	87,292	92,254	92,743	(12.6)
Equipment	6,783	6,000	4,091	4,103	(35.9)
Total Operating Costs	\$ 864,776	\$841,321	\$ 848,392	\$ 849,170	(0.5)
Non-Operating Costs	1,750,680	-0-	5,096,750	4,536,500	450.3
Total Expenditures	<u>\$2,615,456</u>	<u>\$841,321</u>	<u>\$5,945,142</u>	<u>\$5,385,670</u>	<u>227.8</u>
<u>Fund Sources</u>					
General Fund	\$ 858,176	\$836,321	\$ 841,792	\$ 842,570	(0.6)
State Special	1,750,680	-0-	5,096,750	4,536,500	450.3
Federal Revenue	6,600	5,000	6,600	6,600	13.8
Total Funds	<u>\$2,615,456</u>	<u>\$841,321</u>	<u>\$5,945,142</u>	<u>\$5,385,670</u>	<u>227.8</u>

The Centralized Services Division provides support services to all department divisions. In addition, the division provides bad debt collection and write-off services for all state agencies and administers the beer and wine tax statutes regarding department tax collections.

The current level budget provides a 228 percent overall expenditure increase caused by including non-operating costs in the budget. Operating costs alone decrease .5 percent from the 1987 to the 1989 biennium.

Personal services increase 1.5 percent. There is no change in FTE between fiscal 1987 and fiscal 1989. Operating expenses are budgeted to decrease 12.6 percent as a result of reducing base expenditures \$33,000.

The Centralized Services Division is funded from general fund, state special revenue, and federal funds. General fund decreased 0.6 percent from the 1987 to the 1989 biennium. State special revenue is the resource indemnity trust fund interest which is transferred from the department to other departments as may be allocated by the legislature. Federal funds include an allocation of child support funds which reflects the estimated portion of time spent by the department on behalf of the child support program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	37.27	37.27	0.00
Personal Service	\$787,173	\$733,691	\$ 53,482
Operating Expense	87,394	124,302	(36,908)
Equipment	7,000	6,783	217
Total Expenditures	<u>\$881,567</u>	<u>\$864,776</u>	<u>\$ 16,791</u>
<u>Funding</u>			
General Fund	\$876,567	\$858,176	\$ 18,391
Federal Revenue	5,000	6,600	(1,600)
Total Funds	<u>\$881,567</u>	<u>\$864,776</u>	<u>\$ 16,791</u>
<u>Additions</u>			
Administrative Appropriation	<u>\$3,631,036</u>	<u>\$1,750,680</u>	<u>\$1,880,356</u>

Fiscal 1986 total expenditures were \$16,791 less than appropriated. The agency realized a \$53,482 personal services savings due to vacancy savings. A portion of the vacancy savings was utilized in operating expenses as operating expenditures exceeded the appropriation by \$36,908. Most of the excessive expenditure, \$27,000, was for expenditures relating to the Property Assessment Division. Most of the remaining overexpenditure relates to computer development costs neither requested by the agency during the 1985 session nor approved by the 1985 legislature.

Federal child support funds were greater than appropriated due to a program transfer from the Investigation and Enforcement Division.

The division received a \$3,631,036 administrative appropriation to transfer resource indemnity trust interest funds to the Department of Natural Resources and Conservation and the university units. Only \$1,750,680 was transferred. The authority for this kind of transfer is included in the current level budget.

Current Level Adjustments

Two FTE were eliminated from this division's budget reflecting the agency's action following the 5 percent and pay plan funding cuts. Personal services are budgeted from the fiscal 1987 pay matrix and will increase 1.5 percent in the 1989 biennium as the division experienced greater vacancy savings than budgeted in fiscal 1986.

Contracted services and printing costs incurred in fiscal 1986 on behalf of the property assessment division were removed from the base.

The equipment line item provides for one typewriter, one microfiche reader, and one personal computer for liquor store auditors each year of the 1989 biennium.

Non-operating costs include accounting entity transfers for the department to transfer resource indemnity trust interest funds to other departments as may be appropriated by the legislature. These funds are not statutorily appropriated and therefore require legislative authorization. The current level budget includes \$5,096,750 and \$4,536,500 authority in fiscal 1988 and 1989, respectively for these transfers.

DATA PROCESSING DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	60.50	47.65	52.50	52.50	4.85
Personal Service	\$1,205,760	\$1,061,264	\$1,227,768	\$1,226,648	8.3
Operating Expense	326,814	194,363	185,067	190,951	(27.9)
Equipment	38,714	8,042	-0-	-0-	(100.0)
Total Operating Costs	<u>\$1,571,288</u>	<u>\$1,263,669</u>	<u>\$1,412,835</u>	<u>\$1,417,599</u>	<u>(0.2)</u>
<u>Fund Sources</u>					
General Fund	\$1,151,103	\$ 938,313	\$ 993,427	\$ 995,219	(4.8)
Proprietary Funds	420,185	325,356	419,408	422,380	12.9
Total Funds	<u>\$1,571,288</u>	<u>\$1,263,669</u>	<u>\$1,412,835</u>	<u>\$1,417,599</u>	<u>(0.2)</u>

The Data Processing Division provides automated data and word processing services, detailed systems requirements analysis, systems development and maintenance services, data entry services, computer operations support services, technical support for departmental and personal computers, and research services relating to tax policy, revenue estimating, and Montana tax laws.

The current level budget provides a 0.2 percent decrease from the 1987 biennium to the 1989 biennium primarily because fiscal 1986 operating expenses associated with a program transfer are not continued into the 1989 biennium. The 4.85 FTE increase from fiscal 1987 is the net result of adding 6 FTE transferred into the program in fiscal 1986 and deleting 1.15 others. The agency reduced 0.15 of the 1.15 FTE between fiscal 1987 and the 1989 biennium request; the current level budget reduced 1.0 FTE. Personal services increase 8.3 percent in the 1989 biennium because the net fiscal impact of FTE changes is approximately \$87,000 each year.

Operating expenses decrease 27.9 percent from the 1987 biennium to the 1989 biennium. Fiscal 1986 expenditures were nearly \$144,000 higher than authorized because of a program transfer. The agency did not request the higher spending level in the 1989 biennium; therefore, the expenditure level was returned to a more normal level.

The current level budget does not provide for equipment expenditures in the 1989 biennium.

The data processing division is funded from the general fund and liquor division proprietary funds. General fund decreases 4.8 percent in the 1989 biennium. Liquor funds increase 12.9 percent as three of the additional 6 FTE are funded from liquor funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	50.50	60.50	(10.00)
Personal Service	\$1,073,015	\$1,205,760	\$(132,745)
Operating Expense	183,137	326,814	(143,677)
Equipment	36,276	38,714	(2,438)
Total Expenditures	<u>\$1,292,428</u>	<u>\$1,571,288</u>	<u>\$(278,860)</u>
<u>Funding</u>			
General Fund	\$ 967,570	\$1,151,103	\$(183,533)
Proprietary Funds	324,858	420,185	(95,327)
Total Funds	<u>\$1,292,428</u>	<u>\$1,571,288</u>	<u>\$(278,860)</u>

Fiscal 1986 expenditures in the Data Processing Division exceeded the appropriation by \$278,860, primarily because the agency transferred 10 FTE and \$292,337 into the division during fiscal 1986. FTE were transferred from the Liquor, Income Tax, Natural Resources and Corporate Tax, Miscellaneous Tax, and Motor Fuels Tax Divisions.

The 10 additional FTE is the primary cause for actual personal services expenditures exceeding the legislative appropriation by \$132,745. However, after considering the funds transferred into the division, the agency realized approximately \$160,000 vacancy savings, most of which was spent on operating expenses.

Operating expenses exceed the appropriation by \$143,677, primarily resulting from the contracted services budget being overspent by \$153,000 and the supplies budget realizing nearly \$10,000 savings. The remaining differences account for less than 1 percent of total operating expenses.

The legislature allocated \$36,276 in fiscal 1986 for equipment purchases, all in computers. The division spent \$38,129 on computer hardware and software and \$585 on office furniture.

General fund exceeded the appropriation by \$183,533 in fiscal 1986. This results from the 10 FTE transfer. Liquor proprietary funds exceed the fiscal 1986 appropriation by \$95,327 for the same reason.

Current Level Adjustments

The current level budget reduced 1.0 FTE programmer/analyst as this position was vacant more than 50 percent of the time in fiscal 1986 and was still vacant as of November 7, 1986. There are 8.0 FTE programmer/analysts remaining on staff.

Fiscal 1986 actual operating expenses were reduced \$155,017; \$134,553 was reduced by the agency. The remaining \$20,464 was removed primarily from computer processing fees to reduce expenditures to the fiscal 1986 appropriated level. Six thousand five hundred dollars was added in fiscal 1989 for printing costs associated with the biennial report printed in odd numbered fiscal years.

INVESTIGATIONS AND ENFORCEMENT

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	81.50	79.05	65.00	65.00	(14.05)
Personal Service	\$1,653,817	\$1,823,790	\$1,550,171	\$1,549,737	(10.86)
Operating Expense	436,647	495,163	464,240	462,276	(0.57)
Equipment	85,772	29,547	18,625	10,000	(75.18)
Total Operating Costs	\$2,176,236	\$2,348,500	\$2,033,036	\$2,022,013	(10.38)
Non-Operating Costs	120,694	160,000	180,000	195,000	33.60
Total Expenditures	\$2,296,930 =====	\$2,508,500 =====	\$2,213,036 =====	\$2,217,013 =====	(7.81) =====
<u>Fund Sources</u>					
General Fund	\$ 594,854	\$ 761,487	\$ 557,628	\$ 554,019	(18.04)
State Special	161,506	-0-	222,669	222,737	175.78
Federal Revenue	1,243,944	1,414,448	1,185,547	1,192,820	(10.53)
Proprietary Funds	296,626	332,565	247,192	247,437	(21.36)
Total Funds	\$2,296,930 =====	\$2,508,500 =====	\$2,213,036 =====	\$2,217,013 =====	(7.81) =====

The Investigations and Enforcement Division administers the Video Poker Control Program, Investigations Program, Child Support Enforcement Program, and the Medicaid Fraud Program. The division's budget is divided into four subprograms:

Administration, Investigations, Child Support, and Video Poker. Medicaid Fraud was eliminated as a separate function effective fiscal 1987.

The current level budget provides a 7.8 percent decrease from the 1987 biennium to the 1989 biennium. The 1985 legislature approved a modification request for additional child support personnel for this division in the 1987 biennium, but required the 13.0 additional FTE be removed from the agency's 1989 biennial budget request. The current level budget removes these 13.0 FTE as well as the 3.5 FTE removed by the agency in response to the five percent and pay plan funding cuts.

Non-operating costs include pass-through funds to local governments for reimbursement for prosecuting welfare fraud cases and child support enforcement activities. Non-operating costs are funded from federal funds.

This division's operating budget is funded from several sources: general fund, gambling license fee revenue, federal funds, and liquor division funds. The current level budget funds 4.0 FTE in the Video Poker Program, 2.0 FTE in the Investigations Program, and a portion of the expenditures in the Administration Program from gambling license fee revenue. Federal funds, including child support, welfare fraud, and medicaid fraud funds, support their respective functions in the various subprograms. All federal funds require a general fund match. Liquor division funds support portions of the investigation and Administration Program budgets.

General fund and liquor division funds decrease between the 1987 and 1989 bienniums because gambling license fees are budgeted to pay for the approximate expenses incurred on behalf of video poker. In fiscal 1986, the general fund and liquor funds partially subsidized the video poker investigation effort.

Federal funds decrease in the 1989 biennium as the department eliminated the medicaid fraud program as a separate program. The department will continue to investigate medicaid fraud cases as they are referred, but expect this will occur on a much-reduced scale.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	81.50	81.50	0.00
Personal Service	\$1,844,538	\$1,653,817	\$ 190,721
Operating Expense	498,271	436,647	61,624
Equipment	103,673	85,772	17,901
Total Operating Costs	\$2,446,482	\$2,176,236	\$ 270,246
Non-Operating Costs	155,000	120,694	34,306
Total Expenditures	<u>\$2,601,482</u>	<u>\$2,296,930</u>	<u>\$ 304,552</u>
<u>Funding</u>			
General Fund	\$ 813,760	\$ 594,854	\$ 218,906
State Special	-0-	161,506	(161,506)
Federal Revenue	1,446,777	1,243,944	202,833
Proprietary Fund	340,945	296,626	44,319
Total Funds	<u>\$2,601,482</u>	<u>\$2,296,930</u>	<u>\$ 304,552</u>

Fiscal 1986 expenditures were \$304,552 less than the legislative authorization. Personal services savings accounts for \$190,721 of this difference. The personal services savings were primarily the result of the agency transferring \$108,371 of personal services to other divisions. The remaining \$82,349 of personal services savings occurred in the child support subprogram where vacancy savings on the authorized additional positions exceeded 50 percent.

Operating expenses were \$61,624 less than budgeted in fiscal 1986 with virtually all of the savings coming from the child support program's operating expense budget.

Equipment purchases were \$17,901 less than budgeted. Savings of \$30,000 occurred in the investigations and child support programs while the video poker program expenses authorized by House Bill 236 offset the savings by \$12,000, leaving an approximate \$18,000 balance in the equipment budget authorized in House Bill 500.

INVESTIGATIONS AND ENFORCEMENT -- ADMINISTRATION

Budget Item	- - - - Current Level - - - -		
	Actual Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	3.00	3.00	3.00
Personal Services	\$120,436	\$115,658	\$115,752
Operating Expenses	9,121	8,910	8,989
Equipment	257	-0-	-0-
Total Operating Costs	<u>\$129,814</u>	<u>\$124,568</u>	<u>\$124,741</u>
Fund Sources			
General Fund	\$ 79,299	\$ 31,641	\$ 31,684
State Special	-0-	18,685	18,711
Federal and Other	50,431	55,557	55,635
Other	<u>84</u>	<u>18,685</u>	<u>18,711</u>
Total Funds	<u>\$129,814</u>	<u>\$124,568</u>	<u>\$124,741</u>

The administration subprogram contains the division administrator, the investigation and enforcement bureau chief, and an administrative secretary. The current level budget provides for 3.0 FTE with 4 percent vacancy savings. Operating expenses are continued at the fiscal 1986 level with minor adjustments resulting in a \$211 lower expenditure level between fiscal 1986 and 1988.

Funding for this program changes from the fiscal 1986 level as the funding now reflects the approximate time spent on each program administered by the investigations and enforcement division. The agency indicated approximately 60 percent of the administration unit's time is spent on child support activities. Therefore, 60 percent of the program's budget is funded from federal child support funds which require a 34 percent general fund match.

The remaining 40 percent of the budget is divided between video poker, liquor, welfare fraud, and medicaid fraud activities. Welfare and medicaid fraud federal funds require a 50 percent general fund match.

INVESTIGATIONS AND ENFORCEMENT -- INVESTIGATIONS

Budget Item	Actual Fiscal 1986	- - - - Current Level - - - - Fiscal 1987	Fiscal 1989
FTE	13.50	17.00	17.00
Personal Services	\$336,589	\$414,338	\$414,059
Operating Expenses	90,250	83,456	84,220
Equipment	21,167	10,000	10,000
Total Operating Costs	\$448,006	\$507,794	\$508,279
Non-Operating Costs	-0-	20,000	20,000
Total Expenditures	<u>\$448,006</u>	<u>\$527,794</u>	<u>\$528,279</u>
<u>Fund Sources</u>			
General Fund	\$ 52,648	\$ 93,102	\$ 93,470
State Special	28,719	76,500	76,400
Federal and Other	70,288	129,685	129,683
Proprietary Funds	296,351	228,507	228,726
Total Funds	<u>\$448,006</u>	<u>\$527,794</u>	<u>\$528,279</u>

The investigations subprogram performs the criminal and regulatory investigative functions required by state and federal statute. Specific areas of responsibility are alcohol beverage control, video poker enforcement, welfare fraud investigations, cigarette tax enforcement, criminal income tax and intra-departmental investigation as well as special investigation when required.

The current level budget increases the authorized FTE 3.5 from the actual fiscal 1986 level. This increase is due to transferring 1.0 FTE from the medicaid fraud subprogram to the investigations subprogram upon elimination of the medicaid fraud subprogram in fiscal 1987. This FTE will assist the investigations subprogram in the medicaid fraud function, which will continue to be served on a limited basis. The remaining increase is due to the agency transferring 2.5 FTE from the video poker subprogram to the investigations subprogram to perform video poker investigations. The current level budget funds both transfers from the special funds allocated for these purposes.

Operating expenses are reduced slightly as \$2,329 for one-time remodeling costs were removed from the base, as was \$6,850 repair and maintenance on an agency vehicle. Base operating expense increases total \$2,523 for increased rent and computer maintenance costs. Each year of the 1989 biennium \$10,000 is included to purchase two new vehicles for the investigations subprogram.

Funding for this subprogram changes between fiscal 1986 and the 1989 biennium. While the funding sources remain the same, the contribution of each funding source changes.

The current level budget funds this subprogram based on the different investigative functions and the amount of time spent on those functions. State special revenue includes gambling license fee revenue from video poker licenses. Because the agency transferred 2.5 FTE into this subprogram from the video poker subprogram, the current level budget funds those positions from gambling license fee revenue. The 2.5 FTE and estimated operating costs total \$76,500 in fiscal 1988 and \$76,400 in fiscal 1989.

Federal revenue includes welfare fraud and medicaid fraud funds. Welfare fraud funds included in the current level budget reflect the agency's request of \$105,885 in fiscal 1988 and \$105,933 in fiscal 1989. Of this amount, \$20,000 each year is passed through to local governments for reimbursement for expenses incurred in prosecuting welfare fraud cases. Welfare fraud funds used to administer the program total \$85,885 in fiscal 1988 and \$85,933 in fiscal 1989. The remaining federal funds, \$23,800 in fiscal 1988 and \$23,750 in fiscal 1989, are medicaid fraud funds used to support the 1.0 FTE transferred into this subprogram from the medicaid fraud subprogram.

Proprietary funds are liquor funds and are allocated to this subprogram in the 1989 biennium on the basis of the amount of time that was spent on liquor related investigations in fiscal 1986. Approximately 45 percent of the time spent by this subprogram in fiscal 1986 was liquor related.

General fund is calculated on the basis of matching the federal funds used for operating costs and the balance of the program funding requirements after all other funding sources have been used. The welfare and medicaid fraud funds require a 50 percent match.

INVESTIGATIONS AND ENFORCEMENT -- CHILD SUPPORT

Budget Item	Actual Fiscal 1986	- - - - Current Level - - - -	
		Fiscal 1987	Fiscal 1989
FTE	54.00	41.00	41.00
Personal Services	\$ 987,865	\$ 917,031	\$ 916,669
Operating Expenses	289,913	347,534	344,698
Equipment	50,534	8,625	-0-
Total Operating Costs	\$1,328,312	\$1,273,190	\$1,261,367
Non-Operating Costs	120,694	160,000	175,000
Total Expenditures	<u>\$1,449,006</u>	<u>\$1,433,190</u>	<u>\$1,436,367</u>
Fund Sources			
General Fund	\$ 429,348	\$ 432,885	\$ 428,865
Federal and Other	1,019,657	1,000,305	1,007,502
Proprietary Funds	1	-0-	-0-
Total Funds	<u>\$1,449,006</u>	<u>\$1,433,190</u>	<u>\$1,436,367</u>

The Child Support Enforcement subprogram was created for the purpose of establishing, enforcing, and collecting support obligations owed by absent parents to their children and the spouses with whom such children are living. The child support enforcement subprogram generates revenue from three sources: (1) recovered AFDC funds originally paid out by the State of Montana, (2) federal incentives paid to states for operating a cost effective program, and (3) fees generated in non-AFDC cases.

The current level budget provides for 41.0 FTE. This is 13.0 less than authorized by the legislature in fiscal 1986 as the "sunset" FTE positions are removed from the current level budget.

Base operating expenses were increased \$63,400 for computer processing costs to operate the child support computer system, which is expected to come on-line mid-year fiscal 1987, and \$1,941 for increased rent. Base operating expenses were decreased \$9,333 for estimated operating expenses relating to the sunset FTE removed from the current level budget.

Equipment expenditures include \$8,625 in fiscal 1988 to purchase a replacement vehicle.

Non-operating costs include pass-thru funds to local governments to reimburse them for child support enforcement activities at the local level.

INVESTIGATIONS AND ENFORCEMENT -- MEDICAID FRAUD

Budget Item	Actual Fiscal 1986	- - - - Current Level - - - -	
		Fiscal 1987	Fiscal 1989
FTE	4.00	0.00	0.00
Personal Services	\$113,232	\$ -0-	\$ -0-
Operating Expenses	23,190	-0-	-0-
Equipment	<u>895</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>\$137,317</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Fund Sources			
General Fund	\$ 33,559	\$ -0-	\$ -0-
Federal and Other	103,568	-0-	-0-
Proprietary Funds	190	-0-	-0-
Total Funds	<u>\$137,317</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

This program was eliminated by the agency in fiscal 1987 and a portion of its function was combined with the investigations subprogram.

INVESTIGATIONS AND ENFORCEMENT - VIDEO POKER

Budget Item	Actual Fiscal 1986	- - - - Current Level Fiscal 1987	- - - - Fiscal 1989
FTE	7.00	4.00	4.00
Personal Services	\$ 95,695	\$103,144	\$103,257
Operating Expenses	24,173	24,340	24,369
Equipment	12,919	-0-	-0-
Total Exp. and Funding	<u>\$132,787</u>	<u>\$127,484</u>	<u>\$127,626</u>

The video poker control subprogram is responsible for the control and regulation of Montana's video poker industry. The program examines and approves machines for operation in the state, licenses machines, and collects license fees. License fee monies are distributed to local and state governments as required by statute. The program has administrative responsibilities which include: conducting hearings concerning licenses and violations of laws and rules, promulgating administrative rules, and recommending legislation concerning video draw poker machines.

The current level budget funds 4.0 FTE as requested by the agency. Personal services increase from fiscal 1986 because the subprogram experienced vacancy savings. Operating expenses reflect the agency's request.

The current level budget funds this program from gambling license fees assessed video poker machine owners. The current law, Section 23-5-612, MCA, limits the administrative allocation of the gambling license fee revenue to 3 percent in the 1989 biennium.

LIQUOR DIVISION

The Liquor Division administers the statutes relating to the control, sale and distribution of alcoholic beverages and the licensing of manufacturers, wholesalers and retailers of alcoholic beverages.

For the past several sessions, the legislature has not appropriated the Liquor Division's budget by specific line-item, but has given authority in the general appropriations act for the division not to exceed a specific operating limit and to return a specified profit level.

The general appropriations act of the Forty-Ninth Legislature (House Bill 500) directed the Liquor Division to limit operational expenses of the liquor merchandising system to not more than 15 percent of net sales. Operational expenses did not include product costs, freight charges, expenses allocable to other divisions, or licensing bureau expenses. In fiscal 1986, the Liquor Division incurred \$5,764,641 of qualifying operational expenses, or 15.18 percent of net sales.

House Bill 500 also directed the Liquor Division to attempt to return as profit at least 13 percent of net sales. In fiscal 1986, the division earned \$4,698,814 net income on \$37,974,543 of net sales, or 12.37 percent.

The general appropriations act from Special Session III in June, 1986 directed the department to convert state liquor stores to agency stores in an orderly manner and restructure the liquor retail prices. Both processes are currently in progress. Converting state liquor stores to agency stores was expected to result in an annualized savings of \$1.3 million while the price restructuring was expected to increase revenue \$800,000.

INCOME AND MISCELLANEOUS TAX DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	108.30	109.94	90.65	90.65	(19.29)
Personal Service	\$2,142,754	\$2,187,774	\$1,938,756	\$1,938,234	(10.47)
Operating Expense	869,215	832,789	1,017,170	1,050,365	21.48
Equipment	107,649	54,599	35,100	18,400	(67.03)
Total Expenditures	\$3,119,618	\$3,075,162	\$2,991,026	\$3,006,999	(3.18)
<u>Fund Sources</u>					
General Fund	\$3,042,230	\$3,004,374	\$2,908,142	\$2,919,115	(3.63)
State Special	77,388	70,788	82,884	87,884	15.25
Total Funds	\$3,119,618	\$3,075,162	\$2,991,026	\$3,006,999	(3.18)

The department combined the functions of the Miscellaneous Tax Division into the Income Tax Division in fiscal 1987. The expenditures of both divisions and the combined request for the 1989 biennium are presented in the main table above so that biennial changes will be comparable.

The Income Tax Division administers and enforces the Montana personal income and withholding taxes, which includes partnership returns, fiduciary and trust returns, estimated income tax, filing extensions, and elderly homeowner/renter credit. These taxes constitute the largest payments to the general fund. The distribution of the taxes is 64 percent general fund, 25 percent school equalization fund, and 11 percent to the long-range building program.

The division is now responsible for the functions of the former Miscellaneous Tax Division. The miscellaneous tax function is currently responsible for the administration of seventeen licenses and taxes and the minimum cigarette price law. Some of the taxes administered by the miscellaneous tax function are proposed by the Governor to be eliminated as "nuisance" taxes.

The current level budget for the combined divisions provides a 3.2 percent decrease in the 1989 biennium from the 1987 biennium. The decrease is attributable primarily to the 19.29 FTE reduction from the fiscal 1987 level. The 20.0 FTE authorized by House Bill 500 for fiscal 1987 which are required to be deleted from current level are deleted.

Operating expenses increase 21.5 percent from the 1987 biennium to the 1989 biennium as the agency will be installing the income tax computer systems authorized by the 1985 legislature and funds are included to provide operating costs for the new systems.

This division is funded from general fund and state special revenue. General fund decreases 3.6 percent from the 1987 biennium to the 1989 biennium following the overall expenditure decrease. State special revenue, which includes cigarette tax enforcement revenue and unclaimed property revenue is budgeted to increase 15 percent. This increase reflects the agency's request.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding of the Income Tax Division to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	94.15	89.65	4.50
Personal Service	\$1,904,605	\$1,752,401	\$152,204
Operating Expense	732,313	771,651	(39,338)
Equipment	102,169	98,023	4,146
Total Expenditures	<u>\$2,739,087</u>	<u>\$2,622,075</u>	<u>\$117,012</u>
<u>Funding</u>			
General Fund	\$2,728,901	\$2,613,220	\$115,681
State Special*	10,186	8,855	1,331
Total Funds	<u>\$2,739,087</u>	<u>\$2,622,075</u>	<u>\$117,012</u>

*The division received \$3,760 of unanticipated special revenue funds in fiscal 1986. The division reverted general fund of a like amount. The \$3,760 is included in the state special category in this table.

Fiscal 1986 total expenditures for the Income Tax Division were \$117,012 less than authorized because the agency transferred \$113,852 of its personal services allocation out of the division to the Data Processing Division. The remaining \$38,352 difference in personal services was vacancy savings.

Operating expenses were \$39,338 greater than the level authorized by the 1985 legislature. The agency utilized its personal services savings to mitigate the shortfall in operating expenses.

The agency spent \$115,681 less general fund than authorized by the 1985 legislature because the program transfers to the other departments were from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding of the Miscellaneous Tax Division to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	19.32	18.65	0.67
Personal Service	\$420,787	\$390,353	\$ 30,434
Operating Expense	84,642	97,564	(12,922)
Equipment	17,338	9,626	7,712
Total Expenditures	<u>\$522,767</u>	<u>\$497,543</u>	<u>\$ 25,224</u>
<u>Funding</u>			
General Fund	\$453,312	\$429,010	\$ 24,302
State Special	<u>69,455</u>	<u>68,533</u>	<u>922</u>
Total Funds	<u>\$522,767</u>	<u>\$497,543</u>	<u>\$ 25,224</u>

Fiscal 1986 total expenditures for the Miscellaneous Tax Division were \$25,224 less than authorized by the 1985 legislature. Following a \$22,653 program transfer to the data processing division, the miscellaneous tax division spent \$2,571 less than authorized. Personal services and equipment were underspent while operating expenses were overspent.

The agency transferred 0.67 FTE and \$22,653 personal services to the data processing division to centralize the data processing services. The remaining \$7,781 difference in personal services was vacancy savings above the amount budgeted by the legislature.

Operating expenses were \$12,922 higher than budgeted primarily because the agency spent \$17,250 on a consultant contract for reviewing the present manual systems and developing an automation plan. Development of an automated system was specifically rejected by the 1985 legislature. Cost savings were achieved in travel, where the agency spent only 57 percent of its travel budget.

Equipment expenditures were \$7,712 less than budgeted. The agency did not purchase office equipment as requested and as approved by the 1985 legislature.

Current Level Adjustments

Current level adjustments include transferring 16.0 FTE and \$62,951 in operating costs from the miscellaneous tax division to the income tax division. The overall base reduction resulting from the transfer was \$34,615. Fiscal 1986 expenditures incurred by the miscellaneous tax division which were not transferred include \$17,250 for the unauthorized automation plan study, approximately \$6,600 of expenditures reduced by the agency in its request, \$5,000 of expenditures paid by the miscellaneous tax division on behalf of the property assessment division, \$616 for telephone charges for moving or changing telephones, \$2,896 for one-time remodeling costs, \$948 for relocation costs, and approximately \$1,300 for miscellaneous costs.

Current level adjustments for the income tax function include a net base adjustment of \$53,676 for the accounts receivable and withholding tax computer systems which are to be operational both years of the 1989 biennium. Additionally, \$128,375 and \$165,963 were added in fiscal 1988 and 1989, respectively, for operating costs for the current income tax system and the new income tax system planned to be operational by January 1989. Maintenance funds were increased \$12,435 in fiscal 1988 and \$15,589 in fiscal 1989. The current level budget reduced base operating expenses \$3,729 for telephone moving charges and \$2,179 for remodeling costs.

A biennial total of \$53,500 was included for computer equipment purchases.

As mentioned briefly earlier, the agency did delete the 20 sunset FTE from its current level budget request. Two and one-half of these FTE were eliminated in fiscal 1987 as part of the department's reduction plan to meet the 5 percent cuts and pay plan funding shortfall.

NATURAL RESOURCES AND CORPORATION TAX DIVISION

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	35.83	37.16	33.00	33.00	(4.16)
Personal Service	\$ 890,136	\$1,010,185	\$ 906,384	\$ 907,026	(4.6)
Operating Expense	379,924	424,080	318,291	318,445	(20.8)
Equipment	9,994	7,000	-0-	-0-	(100.0)
Total Expenditures	\$1,280,054 =====	\$1,441,265 =====	\$1,224,675 =====	\$1,225,471 =====	(10.0) =====
<u>Fund Sources</u>					
General Fund	\$1,110,273	\$1,244,901	\$1,045,499	\$1,046,295	(11.2)
State Special	56,934	55,621	57,048	57,048	1.4
Federal Revenue	112,847	140,743	122,128	122,128	(3.7)
Total Funds	\$1,280,054 =====	\$1,441,265 =====	\$1,224,675 =====	\$1,225,471 =====	(10.0) =====

The Natural Resources and Corporate Tax Division administers 17 different taxes, including corporate license tax, oil and gas severance tax, coal severance tax, metal mines tax, gross and net proceeds tax, electrical energy license tax, and the resource indemnity trust tax. The division also administers the state and federal royalty audit programs related to mineral production from state and federal lands located in Montana.

The current level budget provides a 10 percent decrease from the 1987 biennium to the 1989 biennium. All major expenditure categories decrease between bienniums. FTE are reduced 4.16 from the fiscal 1987 authorized FTE level following the 5 percent cut. Personal services decrease 4.6 percent from the 1987 biennium to the 1989 biennium because of the FTE reductions.

Operating expenses are budgeted to decrease 20.8 percent in the 1989 biennium as \$63,000 of expenses incurred by this division in fiscal 1986 for the property assessment division are not carried forward into the next biennium. Additionally, travel expenses incurred by the two sunset FTE are removed from the base.

The division is funded from general fund, the state special revenue fund, and federal funds. The state special revenue includes an allocation of the oil and gas special revenue account and the state lands resource development account.

The federal funds include federal royalty audit funds and are used to support 3.0 FTE federal mineral royalty auditors and operating costs. These funds decrease 3.7 percent from the 1987 biennium to the 1989 biennium.

General fund is budgeted to decrease 11.2 percent in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 21
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	37.99	35.83	2.16
Personal Service	\$ 963,261	\$ 890,136	\$ 73,125
Operating Expense	395,259	379,924	15,335
Equipment	12,669	9,994	2,675
Total Expenditures	<u>\$1,371,189</u>	<u>\$1,280,054</u>	<u>\$ 91,135</u>
Funding			
General Fund	\$1,171,191	\$1,110,273	\$ 60,918
State Special	56,981	56,934	47
Federal Revenue	<u>143,017</u>	<u>112,847</u>	<u>30,170</u>
Total Funds	<u>\$1,371,189</u>	<u>\$1,280,054</u>	<u>\$ 91,135</u>

Fiscal 1986 total expenditures were \$91,135 less than authorized due primarily to program transfers removing \$52,149 from this division in fiscal 1986, vacancy savings exceeding the budgeted amount by approximately \$21,000, and operating expense savings of \$15,335.

Before program transfers, the agency spent \$73,125 less on personal services than authorized by the 1985 legislature. The agency transferred a total of 2.16 FTE and \$52,149 to other programs during fiscal 1986. After program transfers, the agency spent \$20,976 less on personal services than authorized by the 1985 legislature. This difference represents vacancy savings in excess of the amount budgeted by the 1985 legislature.

Operating expenses were \$15,335 less than authorized by the 1985 legislature. The agency overexpended its budget in contracted services, supplies, communications, and maintenance expense. Savings were realized in travel, rent, and other costs.

Equipment expenditures were \$2,675 less than authorized.

General fund savings of \$60,918 were realized before program transfers. As all the transfers were from the general fund, the real general fund savings in this program was \$8,769. The agency expended \$30,170 less of federal funds as the reimbursable expenditures were not as high as anticipated during the 1985 session.

Current Level Adjustments

The agency deleted a 0.5 FTE administrative clerk in fiscal 1987 to accomodate the 5 percent and pay plan cuts. This deletion is continued into the 1989 biennium. In addition, the agency transferred 2.16 FTE to other divisions for the 1989 biennium. The 2.0 sunset FTE authorized by the 1985 legislature were also removed from the current level budget.

The agency has requested position upgrades for 9 auditor positions at an annual personal services increase of approximately \$19,300. The upgrades are not included in the current level budget.

One-time contracted services were reduced \$66,337. Travel expenses were increased \$17,945 to allow for more out of state audit trips in the 1989 biennium and decreased \$10,000 due to the sunset FTE being deleted. Supplies were reduced approximately \$3,200 as the fiscal 1986 expenditures were higher than normal, possibly due to the sunset FTE.

PROPERTY ASSESSMENT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	465.40	418.62	394.25	394.25	(24.37)
Personal Service	\$ 9,683,647	\$ 8,379,991	\$ 8,343,044	\$ 8,342,128	(7.63)
Operating Expense	1,661,658	1,709,303	1,511,608	1,416,316	(11.8)
Equipment	242,847	57,466	115,061	105,805	(26.45)
Total Expenditures	<u>\$11,588,152</u>	<u>\$10,146,760</u>	<u>\$9,969,713</u>	<u>\$9,909,249</u>	<u>(8.54)</u>
Fund Sources					
General Fund	\$11,563,152	\$10,146,760	\$9,969,713	\$9,904,249	(8.43)
State Special	<u>25,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.00)</u>
Total Funds	<u>\$11,588,152</u>	<u>\$10,146,760</u>	<u>\$9,969,713</u>	<u>\$9,904,249</u>	<u>(8.54)</u>

The Property Assessment Division is responsible for performing all tasks necessary to secure a fair, just, and equitable valuation of all taxable property among counties, between different classes of property, and between individual taxpayers. Specific duties include reappraising all real property every five years, auditing taxable values to be sure they reflect market value, centrally assessing railroads, public utilities, and airlines, defending the department in tax appeals before county and state tax appeal boards and the courts, and conducting schools for assessors and appraisers.

The current level budget provides a 8.6 percent decrease in overall operating expenses caused by the personnel reduction for completing the reappraisal cycle and for the 5 percent and pay plan funding cuts. There is a 24.37 FTE reduction from the fiscal 1987 authorized level after the 5 percent and pay plan cuts to the 1989 biennium current level FTE.

Operating expenses are budgeted to decrease 12.1 percent as expenditures relating to the completion of the last reappraisal cycle are not continued into the 1989 biennium. Equipment expenditures are budgeted to decrease 26.5 percent in the 1989 biennium.

This division is funded from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 6
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	465.40	465.40	0.00
Personal Service	\$ 9,238,542	\$ 9,683,647	\$(445,105)
Operating Expense	2,114,442	1,661,658	452,784
Equipment	270,320	242,847	27,473
Total Expenditures	<u>\$11,623,304</u>	<u>\$11,588,152</u>	<u>\$ 35,152</u>
<u>Funding</u>			
General Fund	\$11,623,304	\$11,563,152	\$ 60,152
State Special	-0-	25,000	(25,000)
Total Funds	<u>\$11,623,304</u>	<u>\$11,588,152</u>	<u>\$ 35,152</u>

Fiscal 1986 division expenditures were \$35,152 less than authorized. Not shown in this table is \$310,000 of operating expenditures other divisions paid on behalf of the property assessment division in fiscal 1986. Taking these expenditures into consideration, the agency spent approximately \$275,000 more for the property assessment division than authorized.

Personal services exceeded the budget by \$445,105 as the agency did not realize the budgeted vacancy savings amount. Most of the vacancy savings achieved was used to pay temporary staff added during the year to respond to House Bill 198 of the 1985 legislature, which directed the department to recalculate the taxable percentage rate of certain real property classes due to the effects of reappraisal.

Operating expenses appear in the comparison table to be underspent by \$452,784. This is due primarily to other agency divisions picking up \$310,000 in operating expenses. The remaining \$142,784 difference occurs as contracted services, supplies, communications, and travel expenses were underspent while rent and maintenance costs were higher than budgeted.

Equipment expenditures were \$27,473 less than authorized.

State special revenue funds of \$25,000 were added during the year to assist the division in training qualified people for reappraisal work. This addition caused a general fund reversion of a like amount.

Current Level Adjustments

The property assessment division is divided into four subprograms for budgeting purposes. These four subprograms are presented separately below. Current level adjustments will be discussed for each subprogram.

PROPERTY ASSESSMENT -- ELECTED ASSESSORS

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	36.40	35.70	35.70
Personal Services	\$ <u>-0-</u>	<u>\$748,365</u>	<u>\$749,772</u>
Fund Sources			
General Fund	\$ <u>-0-</u>	<u>\$748,365</u>	<u>\$749,365</u>

The elected assessors subprogram, newly created in this budget cycle, contains the personal services budget for elected assessors. There were 52 (36.4 FTE) elected assessors in fiscal 1986 and 51 (35.7 FTE) are budgeted for the 1989 biennium. The state pays 70 percent of the elected assessors' salaries.

The FTE reduction in the 1989 biennium occurs as Flathead County is combining its assessor and treasurer office into one office; therefore, the salary for the assessor will not be needed.

PROPERTY ASSESSMENT -- APPRAISERS AND NON-ELECTED ASSESSORS

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	395.10	334.05	334.05
Personal Services	\$ 8,771,135	\$6,873,283	\$6,870,732
Operating Expenses	1,263,527	1,261,930	1,211,619
Equipment	<u>212,039</u>	<u>105,000</u>	<u>105,000</u>
Total Expenditures	<u>\$10,246,701</u>	<u>\$8,240,213</u>	<u>\$8,187,351</u>
Fund Sources			
General Fund	\$10,221,701	\$8,240,213	\$8,187,351
State Special	25,000	-0-	-0-
Total Funds	<u>\$10,246,701</u>	<u>\$8,240,213</u>	<u>\$8,187,351</u>

The appraisers and non-elected assessors subprogram contains the expenses necessary to operate the county offices and eight area offices. Between fiscal 1986 and each year of the 1989 biennium, FTE are budgeted to decrease 61.05. This occurs because 24.0 FTE were authorized for fiscal 1986 only to assist in completing the reappraisal cycle and because most of the agency reductions for the five percent and pay plan cuts were in this subprogram.

Operating expense adjustments include a \$53,483 base reduction for postage expense. The 1985 legislature approved \$231,788 in fiscal 1986 for postage costs because the completion of the reappraisal cycle necessitated sending out large volumes of mail. The division actually spent \$132,604. Because the reappraisal cycle has ended, the current level base adjustment to the actual fiscal 1986 expenditure will provide funds at the fiscal 1985 expenditure level.

In fiscal 1986, other divisions paid \$190,000 for data processing costs attributable to the property assessment division. These costs were added to the data processing base operating costs in this subprogram for the 1989 biennium.

Base operating costs for county computer support were reduced approximately \$126,000, leaving \$140,000 for county computer support each year of the 1989 biennium. The legislature in Special Session III reduced the division's original fiscal 1987 appropriation for county computer support from \$265,400 to \$144,000.

The current level equipment budget includes \$160,000 in the 1989 biennium to replace 16 vehicles and \$50,000 in the biennium for office equipment.

PROPERTY ASSESSMENT -- HELENA

<u>Budget Item</u>	Actual	- - - - Current Level - - - -	
	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1989</u>
FTE	14.00	11.00	11.00
Personal Services	\$403,603	\$299,878	\$300,104
Operating Expenses	113,007	53,624	53,581
Equipment	24,213	9,025	373
Total Expenditures	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>
<u>Fund Sources</u>			
General Fund	<u>\$540,823</u>	<u>\$362,527</u>	<u>\$354,058</u>

Between fiscal 1986 and the 1989 biennium the current level budget reduces the FTE in this subprogram by 3.0 FTE. This reduction results from 1.0 FTE being transferred to the appraisers and non-elected assessors subprogram, 1.0 FTE being transferred to the director's office, 2.0 FTE being transferred to the administration subprogram, and 1.0 FTE being transferred in from the administration subprogram. Accompanying the FTE reduction is an operating expense decrease in this subprogram of approximately \$50,000 each year, which reflects the agency's request. Not included was the agency's request totaling approximately \$5,900 for increased computer processing, printing, and travel costs above the fiscal 1986 actual level.

Equipment includes the purchase of a replacement vehicle in fiscal 1988 and \$373 each year for office equipment.

PROPERTY ASSESSMENT -- ADMINISTRATION

Budget Item	Actual	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1989
FTE	19.90	13.50	13.50
Personal Services	\$508,909	\$421,518	\$421,520
Operating Expenses	285,124	196,054	196,116
Equipment	6,595	1,036	432
Total Expenditures	<u>\$800,628</u>	<u>\$618,608</u>	<u>\$618,068</u>
<u>Fund Sources</u>			
General Fund	\$800,628 =====	\$618,608 =====	\$618,068 =====

The administration subprogram contains the administrative and legal function of the division. The 1989 biennial budget provides for 13.5 FTE, down 6.4 FTE from the fiscal 1986 level. The reduction results from reorganization and pay plan reductions.

Base operating expenses were reduced approximately \$88,700 of which approximately \$75,000 was at the agency's request to reflect reorganization savings and reappraisal expenditures not needed in the next biennium. The remaining base reductions included in the current level budget reflect printing and postage expenditure reductions to the fiscal 1986 appropriated level.

Equipment expenditures include \$1,036 in fiscal 1988 and \$432 in fiscal 1989 for office equipment.

MOTOR FUELS DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	26.50	25.76	25.00	25.00	(0.76)
Personal Service	\$563,571	\$535,566	\$517,920	\$517,828	(5.8)
Operating Expense	98,036	131,457	156,031	153,501	34.9
Equipment	19,751	-0-	8,620	-0-	(56.4)
Total Expenditures	<u>\$681,358</u>	<u>\$667,023</u>	<u>\$682,571</u>	<u>\$671,329</u>	<u>0.4</u>
<u>Fund Sources</u>					
State Special	<u>\$681,358</u>	<u>\$667,023</u>	<u>\$682,571</u>	<u>\$671,329</u>	<u>0.4</u>

The Motor Fuel Tax Division administers and enforces the motor fuel tax law including the issuance of licenses and permits, collection of taxes, enforcement of the bonding requirements, and payments of refunds. The division is funded from an allocation of highways special revenue.

The current level budget provides a 0.4 percent increase in the 1989 biennium. Personal services decrease 5.8 percent due to the 0.76 FTE reduction from fiscal 1987 and because personal services expenditures were higher than budgeted in fiscal 1986. The 0.76 FTE reduction includes a 0.67 FTE transfer to the data processing division. The remaining 0.09 FTE difference relates to further reductions made by the agency in response to the 5 percent and pay plan cuts in fiscal 1987.

Operating expenses are budgeted to increase 34.9 percent. The increase results from computer operating costs relating to the automated fuel tax collection system authorized by the 1985 legislature.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations anticipated by the 1985 legislature.

Table 7
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	27.17	26.50	0.67
Personal Service	\$557,819	\$563,571	\$ (5,752)
Operating Expense	161,536	98,036	63,500
Equipment	5,700	19,751	(14,051)
Total Expenditures	<u>\$725,055</u>	<u>\$681,358</u>	<u>\$ 43,697</u>
<u>Funding</u>			
State Special Revenue	<u>\$725,055</u>	<u>\$681,358</u>	<u>\$ 43,697</u>

Fiscal 1986 expenditures were \$43,697 less than authorized. The agency transferred 0.67 FTE data processing staff and \$22,554 to the data processing division in fiscal 1986 to consolidate services. Taking into consideration the program transfer, actual expenditures were \$21,143 less than authorized.

Personal services were \$28,306 higher than budgeted. This total differs from the table because the program transfer was all in personal services. The agency funded portions of four positions budgeted in other programs from the modified contracted services appropriation for the computer system development.

Operating expenses were \$63,500 less than budgeted by the legislature primarily because the division spent approximately \$34,000 of the contracted services modified to fund portions of four positions to develop the computer system. Therefore, the

expenditure showed up as personal services costs rather than operating expenses. Savings in printing costs and travel total approximately \$13,000. Finally, the agency spent less on operations because it spent approximately \$12,000 more on equipment for the new computer system than originally estimated.

Overall equipment expenditures were \$14,051 greater than authorized.

Current Level Adjustments

The fiscal 1987 FTE authorized by the general appropriations act of the 1985 regular session was 27.17. In response to the 5 percent and pay plan reductions in Special Session III, the agency reduced its authorized FTE by 1.41 to 25.76 FTE. This reduction is continued into the 1989 biennium. Further reductions include deletion of 0.09 FTE and transfer of 0.67 FTE to the Data Processing Division. This FTE had been transferred to the Data Processing Division via program transfer authority in fiscal 1986 and 1987. The overall FTE reduction between the 1985 legislative authorization and the 1989 biennium is 2.17 FTE.

Base operating expenses were increased \$55,294 to allow for increased computer processing and operating costs and \$1,800 for maintenance contracts on new computer equipment purchased in fiscal 1986.

Also provided is \$8,620 in fiscal 1988 for a replacement vehicle for the division.

DEPARTMENT OF HIGHWAYS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Total Funds
Executive Budget	1863.64	\$ -0-	\$459,248,031
LFA Current Level	1828.07	-0-	451,054,975
Executive Over (Under) LFA	<u>35.57</u>	<u>\$ -0-</u>	<u>\$ 8,193,056</u>

The executive budget is over LFA current level by 35.57 FTE and \$8,193,056 in total 1989 biennium funding. The differences between expenditure levels of the two budgets are in four major areas: personal services, operating expenditures, equipment, and non-operating costs. Differences in the federal funding level is also presented as an issue.

ISSUE 1: PERSONAL SERVICES

The LFA current level is \$2,385,838 under the executive budget in personal services. This difference is made up of 35.57 FTE and a reduction of overtime in the construction program. Table A shows the FTE and personal service cost differences by program.

Table A
Personal Services - Comparison Between the Executive Budget and LFA Current Level

Program	Executive FTE Over (Under) LFA	Fiscal 1988	Fiscal 1989	Biennium
General Operations	3.37	\$ 64,161	\$ 64,607	\$ 128,768
Construction	19.45	356,052	354,351	710,403
Maintenance-Overtime	---	492,032	492,204	984,236
Maintenance	13.10	293,924	294,984	588,908
Pre-Construction	2.92	69,699	70,197	139,896
Service Revolving	1.20	18,167	18,107	36,274
Equipment	(1.50)	(43,555)	(43,902)	(87,457)
GVW	(2.97)	(54,765)	(60,425)	(115,190)
Total	<u>35.57</u>	<u>\$1,195,715</u>	<u>\$1,190,123</u>	<u>\$2,385,838</u>

The major difference in FTE is that the LFA current level deletes positions that were vacant in fiscal 1986 as shown in the position control report. In the GVW Program the LFA current level did not reduce the 3.0 FTE officer positions because of the new weigh stations at Havre and De Borgia. Overtime in the Construction Program was reduced to the fiscal 1987 projection as shown in the position control report.

ISSUE 2: OPERATING EXPENDITURES

The executive budget is over LFA current level in operating expenses by \$1,125,709 in fiscal 1988 and \$1,044,336 in fiscal 1989 for a biennium total of \$2,170,045. Table B shows the operating expenditure differences by program.

Table B
Operating Expenditures - Comparison Between LFA Current Level
and the Executive Budget

Program	- - Executive Over (Under) LFA - -		Biennium
	Fiscal 1988	Fiscal 1989	
General Operations	\$ 121,764	\$ 124,398	\$ 246,162
Construction	282,362	293,896	576,258
Maintenance	290,602	312,638	603,240
Pre-Construction	110,733	94,621	205,354
Service Revolving	91,435	112,714	204,149
Motor Pool	10,656	5,921	16,577
Equipment	138,048	83,285	221,333
Stores	(29,709)	(94,641)	(124,350)
GVW	109,820	111,507	221,327
Total	<u>\$1,125,711</u>	<u>\$1,044,339</u>	<u>\$2,170,050</u>

The difference in each program is presented below:

General Operations. Printing, contracted services, office supplies, travel, and rent were reduced to appropriated levels or held at fiscal 1986 levels which accounts for the differences.

Construction. Contracted services for laboratory tests were included at the fiscal 1986 appropriated level in the LFA current level but were included at the requested level in the executive budget. The LFA current level excluded an expense for storage charges in the contracted services which was included in the executive budget.

Maintenance. The difference in the two budgets are in the repair category. Paint was reduced to the appropriated level and road oil mix was reduced based on fiscal 1987 reductions and analysis of a three year comparison.

Pre-Construction. Two areas account for the differences between the two budgets. Contracted services for appraiser fees, consulting, legal, and contractor payments were held at the fiscal 1986 level without the increases requested by the department which are included in the executive budget. Office supplies were reduced to appropriated level in the LFA current level.

Service Revolving. Differences between the executive budget and LFA current level result from two reasons. Contracted services for data processing had negative inflation between fiscal 1986 and fiscal 1989 which was not applied in the executive budget amounting to \$63,263 for the biennium. Printing supplies, travel, repairs, and freight expenses were reduced to the fiscal 1986 appropriated level in the LFA current level for a biennium difference of \$139,500, but were not reduced in the executive budget.

Motor Pool. The differences between the executive budget and LFA current level is in the inflation applied to gasoline. The request from the department was used in the LFA current level and inflation applied to calculate fiscal years 1987 through 1989. The executive budget did not inflate the budget in the same manner which made a biennium difference of \$16,573.

Equipment. The differences in this program are the same differences pointed out for motor pool. Gasoline was inflated from fiscal 1986 to fiscal 1989 using the departments requested base. The executive budget did not inflate in the same manner. The biennium difference due to inflation is calculated to be \$187,500. All other differences in supplies between the two budgets is \$30,924.

Stores. LFA current level is higher than the executive budget for this program. LFA current level increased sand and gasoline purchases to the level requested by the department. The executive budget increase was less than the department's request in repairs (sand) category by \$172,318 per year or \$344,636 for the biennium. This was offset by the gasoline inflation difference of \$220,248, making the LFA current level \$122,388 higher than the executive budget.

GVW. LFA current level reduced the budget to the fiscal 1986 appropriated level in travel, rent, and repairs categories. These reductions were not in the executive budget.

ISSUE 3: EQUIPMENT

LFA current level funded equipment in the Equipment Program at \$4,650,099 as shown in the budget request at the adjusted level requested after the five percent reductions. The executive budget funds equipment at \$4,905,659 each year of the biennium which does not include the five percent reductions.

ISSUE 4: NON-OPERATING EXPENDITURES

LFA current level does not transfer state special revenues to the Equipment Program. The executive budget transfers \$1,675,099 in fiscal 1988 and \$1,450,099 in fiscal 1989. Analysis shows that the proprietary fund has sufficient resources to provide funding for the Equipment Program so that the transfers were not necessary.

ISSUE 5: FEDERAL FUNDING LEVEL

Federal funds are \$3,603,944 less in the executive budget than the LFA current level. LFA current level reflects the amount of federal funds that was shown in the

departments budget request. If the executive budget level of federal fund is used to fund the department then the highway state special revenue account will have to be increased by the \$3,603,944 to make up the difference.

DEPARTMENT OF HIGHWAYS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	2005.50	1985.75	1834.07	1828.07	(157.68)
Personal Service	\$ 52,946,819	\$ 52,025,032	\$ 51,750,565	\$ 51,760,164	(1.4)
Operating Expense	220,913,373	203,322,545	151,792,746	144,735,476	(30.1)
Equipment	7,503,385	5,871,264	6,140,843	5,889,521	(10.0)
Total Operating Costs	\$281,363,577	\$261,218,841	\$209,684,154	\$202,385,161	(24.1)
Non-Operating Costs	31,297,142	49,330,209	20,311,647	18,674,013	(51.6)
Total Expenditures	<u>\$312,660,719</u>	<u>\$310,549,050</u>	<u>\$229,995,801</u>	<u>\$221,059,174</u>	<u>(27.6)</u>
Fund Sources					
State Special	\$169,387,126	\$181,648,344	\$117,561,227	\$108,794,525	(35.5)
Federal Revenue	129,073,261	114,992,701	96,453,754	96,207,883	(21.1)
Other	14,200,332	13,908,005	15,980,820	16,056,766	14.0
Total Funds	<u>\$312,660,719</u>	<u>\$310,549,050</u>	<u>\$229,995,801</u>	<u>\$221,059,174</u>	<u>(27.6)</u>

The Montana Department of Highways is responsible for designing, constructing, maintaining, and regulating Montana's roads. To accomplish its task, the department is organized into a number of programs. These programs are preconstruction, responsible for planning roads up to the time projects are let; construction, responsible for letting and inspecting projects; maintenance, responsible for maintaining roads; equipment, responsible for supplying equipment needs of the department; gross vehicle weight, responsible for protecting the highways; general operations, responsible for support to other programs; service revolving, an internal group of bureaus such as printing which provides support to other programs; and the motor pools which provides vehicles to state agencies in Helena.

The total operating costs decrease 27.6 percent. This decrease is primarily due to decreased FTE, contractor payment, and not needing to transfer gas tax funds to the Equipment Program.

The department is funded through a variety of sources. The major source being the highway state special revenue fund which derives its revenues from gasoline, diesel and GVW taxes and licenses.

Table 1 is a combined analysis of the Highway State Special Revenue Account and the Reconstruction Trust Account for fiscal years 1984 through 1989. This table also reflects only the LFA current level analysis. This table shows that LFA current level expenditures exceed revenues, and the fund balance will be decreased in the 1989 biennium using \$19 million more of these funds on construction than was used on construction in the 1987 biennium.

Table 1
Combined Highway Special Revenue and Reconstruction Trust Accounts
Fiscal Years 1985 through 1989

	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
Beginning Bal.	\$ 41,993,035	\$ 62,787,605	\$ 74,908,470	\$ 44,640,643	\$ 23,645,749	\$ 14,878,525
<u>Revenues</u>						
Gasoline Tax	\$ 60,187,002	\$ 60,948,946	\$ 59,566,024	\$ 65,146,091	\$ 65,450,871	\$ 64,176,353
Diesel Tax	17,793,066	19,278,727	18,576,576	17,964,241	17,604,956	17,252,857
GVW Tax	22,632,255	23,865,379	22,593,890	22,702,588	23,061,100	22,899,500
Interest	-0-	-0-	3,466,058	-0-	-0-	-0-
Stores	-0-	-0-	12,792,441	12,643,971	13,632,007	13,767,451
Coal Tax	-0-	-0-	1,684,344	5,883,700	7,751,637	8,133,812
Minerals Tax	8,969,324	8,890,580	7,577,783	-0-	-0-	-0-
Other	662,546	397,424	1,014,755	771,125	628,000	628,000
Total Fnds Avail.	\$152,237,228	\$176,168,661	\$202,180,341	\$169,752,359	\$151,774,320	\$141,736,498
<u>Disbursements</u>						
Gen. Operations	\$ 18,650,681	\$ 20,469,555	\$19,288,570	\$ 19,048,764	\$ 19,162,998	\$ 18,990,747
Construction	9,619,410	16,213,526	30,919,673	12,117,836	29,768,911	26,645,167
Maintenance	37,687,627	41,808,079	41,546,502	38,688,379	39,543,378	39,772,368
Preconstruction	3,597,784	4,585,664	4,787,504	3,761,337	4,214,625	3,593,519
Capital Outlay	5,306,234	4,898,063	28,109,889	43,063,599	16,565,098	16,572,990
Equipment	3,002,594	2,523,925	2,910,182	2,247,850	-0-	-0-
Long-Range Bldg	652,457	455,738	732,886	969,821		
Stores	-0-	-0-	12,442,555	12,643,971	13,632,007	13,767,451
GVW Program	2,869,950	3,009,690	3,205,616	3,388,159	3,442,252	3,452,280
Dept. of Justice	6,232,839	6,431,679	6,843,036	9,283,571	9,647,310	9,704,471
Dept. of Commerce	75,000	75,000	75,000	71,250	71,250	71,250
Hwy Traffic Safety	68,319	64,478	70,791	68,194	72,000	72,000
Dept. of Revenue	681,706	690,860	787,852	753,879	775,966	750,073
Adjustments	\$ 1,005,022	\$ 33,934	\$ 5,819,642	\$ -0-	\$ -0-	\$ -0-
Total Disb. & Adj.	\$ 89,449,623	\$101,260,191	\$157,539,698	\$146,106,610	\$136,895,795	\$133,392,316
Ending Bal.	\$ 62,787,605 =====	\$ 74,908,470 =====	\$ 44,640,643 =====	\$ 23,645,749 =====	\$ 14,878,525 =====	\$ 8,344,182 =====

GENERAL OPERATIONS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	142.53	142.53	138.81	138.81	(3.72)
Personal Service	\$3,562,577	\$3,604,911	\$3,645,768	\$3,646,964	1.7
Operating Expense	2,439,248	2,728,592	2,553,328	2,500,053	(2.2)
Equipment	471,770	388,787	300,910	128,875	(50.1)
Total Operating Costs	\$6,473,595	\$6,722,290	\$6,500,006	\$6,275,892	(3.2)
Non-Operating Costs	301,693	308,502	299,693	299,693	(1.8)
Total Expenditures	\$6,775,288	\$7,030,792	\$6,799,699	\$6,575,585	(3.1)
<u>Fund Sources</u>					
State Special	\$4,643,234	\$4,972,089	\$5,162,998	\$4,990,747	5.6
Federal Revenue	2,132,054	2,058,703	1,636,701	1,584,838	(23.1)
Total Funds	\$6,775,288	\$7,030,792	\$6,799,699	\$6,575,585	(3.1)

The General Operations Program provides support services for all other areas of the Department of Highways. Services such as personnel, accounting, planning, research, and general administration are carried out by this program.

Personal services FTE decreased by 3.72. This is a net change in FTE that results from 3.0 FTE being transferred from GVW to this program and the elimination of 6.72 FTE vacant positions. Personal service increases by 1.7 percent even though the FTE decrease. This increase results from high vacancy savings achieved in fiscal 1986 and approximately \$79,206 of additional vacancy savings applied to the fiscal 1987 personal services budget because of the budget reduction from Special Session III.

Fiscal years 1988 and 1989 are based on fiscal 1986 actual expenditures. Fiscal 1986 expenditures are less than fiscal 1987 appropriated by approximately \$290,000. The higher appropriated level of fiscal 1987 causes the 2.2 percent decrease in operating expenditure.

Equipment decreases 50.1 percent. However, the equipment in the 1989 biennium reflects 100 percent of the department's request.

State special revenue funds increase 5.6 percent to pick up the federal fund reduction of 23.1 percent from the program.

Section 15-70-101, MCA, statutorily appropriates \$14 million of gasoline taxes for distribution to cities and counties annually. These funds are distributed by the General Operations Program but are not shown in the main table because they are statutory appropriations.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	142.53	142.53	0.00
Personal Service	\$3,738,863	\$3,562,577	\$176,286
Operating Expense	2,775,541	2,439,248	336,293
Equipment	469,268	471,770	(2,502)
Total Operating Costs	\$6,983,672	\$6,473,595	\$510,077
Non-Operating Costs	325,682	301,693	23,989
Total Expenditures	<u>\$7,309,354</u>	<u>\$6,775,288</u>	<u>\$534,066</u>
<u>Funding</u>			
State Special	\$5,234,598	\$4,643,234	\$591,364
Federal Revenue	2,074,756	2,132,054	(57,298)
Total Funds	<u>\$7,309,354</u>	<u>\$6,775,288</u>	<u>\$534,066</u>

Personal services were under budget by \$176,286. This was primarily from vacancy savings. Operating expenses were under budget by \$336,293. Underexpenditures of \$327,537 in contract services was almost all in consulting services. Other underexpenditures were \$43,374 in supplies, \$19,837 in travel, \$3,812 in utilities, and \$8,153 in other expenditures. Overexpenditures of \$11,782 in communications, \$27,200 in rental expenses for equipment and software programs, and \$27,438 in repairs offset the underexpenditures for the net \$336,293 expenditures under budget.

Equipment was \$2,502 over the budget.

Non-Operating costs were \$23,989 under budget. These costs are made up of a \$75,000 allocation of state funds for public transportation as required in Section 7-14-102, MCA, approximately \$207,778 of grants of metropolitan planning funds, and approximately \$17,000 of debt service costs.

Current Level Adjustments

Personal services budget contains funding for 138.81 FTE with a 4 percent vacancy savings applied. This vacancy savings is \$148,361 in fiscal 1988 and \$148,220 in fiscal 1989.

Operating expenses have been increased for insurance, audit fees, payroll service fees, consulting services for minority business programs and maintenance contract costs for new copier machines. Reductions were made in data processing, printing costs, supplies, postage, rental, repairs and other expenditure categories. These reductions are a combination of department requests and reductions for one time expenditures.

Equipment is the department's request. The major difference in the two fiscal years is a skid trailer for \$150,000 in fiscal 1988.

Non-operating expenses continue at approximately the same level with only a slight decrease. This decrease is in the debt services costs.

CONSTRUCTION					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	650.40	619.65	551.55	545.55	(74.1)
Personal Service	\$ 16,707,708	\$ 16,079,216	\$ 15,740,958	\$ 15,662,778	(4.2)
Operating Expense	174,969,208	158,577,580	106,459,976	99,073,578	(38.4)
Equipment	249,638	149,685	174,856	174,931	(12.4)
Total Expenditures	<u>\$191,926,554</u>	<u>\$174,806,481</u>	<u>\$122,375,790</u>	<u>\$114,911,287</u>	<u>(35.3)</u>
Fund Sources					
State Special	\$ 71,731,986	\$ 68,331,138	\$ 35,000,867	\$ 26,645,167	(56.0)
Federal Revenue	<u>120,194,568</u>	<u>106,475,343</u>	<u>87,374,923</u>	<u>88,266,120</u>	<u>(22.5)</u>
Total Funds	<u>\$191,926,554</u>	<u>\$174,806,481</u>	<u>\$122,375,790</u>	<u>\$114,911,287</u>	<u>(35.3)</u>

The Construction Program is responsible for assuring that roads and bridges are constructed or reconstructed to meet the needs of Montana's citizens. The reconstruction and construction work is done by private contractors on a bid basis. Personnel in the program are responsible for monitoring the work of the private contractors. Personnel working in the Construction Program are located at 11 construction sections and at the department's headquarters in Helena.

Personal services FTE decrease 74.1 positions due to department reductions and the elimination of vacant positions. The personal services budget decreases by 4.2 percent reflecting the FTE reductions.

Operating expenses decrease by 38.4 percent which is attributed to the reduction in contractor payments of approximately \$68,924,000 between fiscal 1986 and fiscal 1988 with a further reduction of \$6,900,000 to fiscal 1989. Equipment is 100 percent of the department's request and reflects a 12.4 percent decrease.

Both state special and federal funds decrease reflecting the budget reductions. Federal funds are shown as requested by the department.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3 Comparison of Actual Expenses to Appropriated Expenses			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	650.40	655.40	5.00
Personal Service	\$ 16,797,999	\$ 16,707,708	\$ 90,291
Operating Expense	193,467,189	174,969,208	18,497,981
Equipment	217,976	249,638	(31,662)
Total Expenditures	<u>\$210,483,164</u>	<u>\$191,926,554</u>	<u>\$18,556,610=</u>
<u>Funding</u>			
State Special	\$ 92,586,417	\$ 71,731,986	\$20,854,431
Federal Revenue	117,896,747	120,194,568	(2,297,821)
Total Funds	<u>\$210,483,164</u>	<u>\$191,926,554</u>	<u>\$18,556,610=</u>

Personal services is underbudget by \$90,291. This is a net difference of vacancy savings realized and transferring 5.0 FTE positions from the Service Revolving Program without transferring any funds.

Operating expenditures are \$18,920,788 under budget. Underexpenditures occur in contracted services where contractor payments are approximately \$19,000,000 under budget, travel is \$122,430 underbudget, utilities by \$9,806 and other expenditures by \$130,348. Budget category overexpenditures includes supplies of \$129,909 primarily in laboratory and minor tools, communications of \$37,684, equipment rent of \$295,304, and repairs of \$222,502 primarily in sign materials, computers, and oil mixed materials.

Equipment expenditures are approximately \$31,662 over budget.

State special revenue fund shows an excess of \$20,854,431 for the reasons stated in the expenditure narrative. Federal funds show an overexpenditure of \$2,297,821. The department increased the federal appropriation by \$4,600,607 throughout the year and decreased the state special appropriations by a like amount. This left the federal reversion at \$2,302,786 and the state special appropriation reversions at \$15,683,824. The reverted federal authority was excess authority because the department expended all its federal funds in fiscal 1986.

Current Level Adjustments

Personal services FTE decrease by 74.1. Sixty-one and one-half were deleted because of reductions in workload and budget reductions from Special Session III. The other 12.45 FTE were vacant positions that were deleted. The 4 percent vacancy savings applied was \$581,012 in fiscal 1988 and \$576,888 in fiscal 1989.

Operating expenditures decrease 38.4 percent. This is primarily due to the reduced level of contractor payments from \$167,709,915 in fiscal 1986 to \$98,786,119 in fiscal 1988 \$91,890,179 in fiscal 1989. These are the amounts requested in the department's current level budget. Utilities relocations were included for \$3,200,000 in fiscal 1978 and \$2,800,000 in fiscal 1989. Other adjustments totaled to a net decrease of \$251,363 in contract services, supplies, communications, travel, equipment rental and repairs. These adjustments were a combination of agencies requests and adjustments made to reduce one time expenditures back to appropriated levels. Table 4 shows the contractor payments for the 1989 biennium.

Table 4
Department of Highways Funding Source for Contractor Payments
1989 Biennium

<u>Fiscal 1988</u>	<u>Bond 1</u>	<u>Bond 2</u>	<u>Federal</u>	<u>Recon. Trust</u>	<u>State Special</u>	<u>Total</u>
Interstate	\$81,507	\$3,414,571	\$17,643,259	\$ -0-	\$ 1,942,899	\$23,082,236
Primary	-0-	-0-	31,278,175	3,676,751	8,576,744	43,531,670
Secondary	-0-	-0-	10,972,693	-0-	3,032,018	14,004,711
Urban	-0-	-0-	2,784,442	-0-	769,408	3,553,850
Bridge Replacement	-0-	-0-	9,235,178	3,054,000	2,324,474	14,613,652
Total	\$81,507 =====	\$3,414,571 =====	\$71,913,747 =====	\$6,730,751 =====	\$16,645,543 =====	\$98,786,119 =====
<u>Fiscal 1988</u>	<u>Bond 1</u>	<u>Bond 2</u>	<u>Federal</u>	<u>Recon. Trust</u>	<u>State Special</u>	<u>Total</u>
Interstate	\$ -0-	\$ -0-	\$20,304,627	\$ -0-	\$ 1,956,770	\$22,261,397
Primary	-0-	-0-	31,803,795	1,970,700	8,788,163	42,562,658
Secondary	-0-	-0-	9,543,843	-0-	2,637,195	12,181,038
Urban	-0-	-0-	2,703,859	-0-	747,141	3,451,000
Bridge Replacement	-0-	-0-	8,537,846	772,087	2,124,153	11,434,086
Total	\$ -0- =====	\$ -0- =====	\$72,893,970 =====	\$2,742,787 =====	\$16,253,422 =====	\$91,890,179 =====

The equipment reflects 100 percent of the department's request.

State special and federal revenues funding reflect the decrease in expenditures budget. Federal fund allocations to the program are at the department's requested level. The total department budget anticipates using 100 percent of the federal revenues.

MAINTENANCE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	662.83	662.83	629.23	629.23	(33.60)
Personal Service	\$18,564,769	\$17,797,691	\$18,176,487	\$18,243,237	0.2
Operating Expense	22,542,013	20,710,325	21,134,657	21,296,011	(1.9)
Equipment	337,195	80,363	99,204	100,090	(52.3)
Total Operating Costs	\$41,443,977	\$38,588,379	\$39,410,348	\$39,639,338	(1.2)
Non-Operating Costs	158,484	100,000	133,030	133,030	2.9
Total Expenditures	\$41,602,461 =====	\$38,688,379 =====	\$39,543,378 =====	\$39,772,368 =====	(1.2) =====
Fund Sources					
State Special	\$41,546,516	\$38,688,379	\$39,543,378	\$39,772,368	(1.1)
Federal Revenue	55,945	-0-	-0-	-0-	(100.0)
Total Funds	\$41,602,461 =====	\$38,688,379 =====	\$39,543,378 =====	\$39,772,368 =====	(1.2) =====

The Maintenance Program is responsible for managing and maintaining state highways and related facilities. Maintenance activities include the patching and repair of the highway surface, periodic sealing of highways, snow removal, and sanding. The Maintenance Program is 100 percent funded through the highway state special revenue fund.

FTE decrease 33.6. The reduction is a combination of reductions made by the department for Special Session III budget cuts and also the deletion of positions within the program that were vacant all of fiscal 1986 and to date in fiscal 1987. The personal services budget increases by 0.2 percent even though FTE decline. The reason for this increase is that the fiscal 1987 appropriation had a vacancy savings applied of \$1,240,397 which contained the \$485,367 budget cuts resulting from Special Session III plus the regular budgeted vacancy savings.

Operating expenses decrease by 1.9 percent primarily due to the reductions made by the department in fiscal 1987 to address the budget cuts from Special Session III. Equipment decreases 52.3 percent. However the equipment in both years of the 1989 biennium reflects the entire request of the department.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	662.83	662.83	0.00
Personal Service	\$17,758,798	\$18,547,849	\$(789,051)
Operating Expense	22,565,411	22,502,988	62,423
Equipment	<u>419,231</u>	<u>337,195</u>	<u>82,036</u>
Total Operating Costs	\$40,743,440	\$41,388,032	\$(644,592)
Non-Operating Costs	<u>100,000</u>	<u>158,484</u>	<u>(58,484)</u>
Total Expenditures	<u>\$40,843,440</u>	<u>\$41,546,516</u>	<u>\$(703,076)</u>
<u>Funding</u>			
State Special	<u>\$40,843,440</u>	<u>\$41,546,516</u>	<u>\$(703,076)</u>
<u>Additions</u>			
Budget Amend-Fed. FEMA Fund	<u>\$ 448,416</u>	<u>\$ 55,946</u>	<u>\$ 392,470</u>

Personal services were \$789,051 overexpended due primarily to the program not achieving the budgeted vacancy savings.

Operating expenses were underexpended by \$62,423. The underexpenditures were \$244,515 in contract services primarily in the contracts for maintenance of rest areas, data processing, and contracting for specialized equipment, \$77,335 in travel, and \$570,430 in repairs in the area of road oil and road materials. Overexpenditures were \$51,203 in supplies, \$24,274 in communications, \$651,282 in equipment rental, \$83,577 in utilities and \$19,518 in other expenditure categories. Equipment expenditures were \$82,036 under budget.

Non-operating expenditures were for gravel sites which were overexpended by \$58,484.

Program transfers of \$952,970 were made to this program from the construction program in the amount of \$260,316 and from the store's program in the amount of \$692,654.

Current Level Adjustments

There were 33.6 FTE positions deleted. Of these, 20.50 FTE were positions the department laid off or held vacant to meet the budget reductions from Special Session III. The other 13.1 FTE positions were vacant positions which were deleted.

Overtime was reduced to the projected fiscal 1987 level of \$756,675. Analysis of the November 10 position control showed that \$107,405 or 14.2 percent of the overtime had been expended with 27 percent of the first year elapsed.

Operating expenditures were reduced in road oil mix materials, utilities, vehicle rental, and supplies to reflect the reductions made by the department to address budget cuts from Special Session III. Office supplies and paint were reduced to appropriated levels.

Contracted services for weed control and highway rest stop maintenance were increased to reflect increases in contract costs. Contracts for weed control are increasing because of the cost of liability insurance.

Equipment is budgeted at 100 percent of the department's request and reflects a 52.3 percent decrease from the 1987 biennium.

Non-operating costs are for purchase of gravel sites.

Funding is from the highway state special revenue account.

PRE-CONSTRUCTION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	243.00	243.00	209.08	209.08	(33.92)
Personal Service	\$ 6,491,206	\$ 6,678,393	\$ 6,187,583	\$6,187,596	(6.0)
Operating Expense	1,783,894	2,186,355	1,729,888	1,700,048	(13.6)
Equipment	1,132,527	1,650	425,458	394,500	(27.7)
Total Operating Costs	\$ 9,407,627	\$ 8,866,398	\$ 8,342,929	\$8,282,144	(9.0)
Non-Operating Costs	2,080,970	2,758,108	3,313,826	1,668,300	3.0
Total Expenditures	\$11,488,597	\$11,624,506	\$11,656,755	\$9,950,444	(6.5)
<u>=====</u>					
Fund Sources					
State Special	\$ 4,797,903	\$ 5,165,851	\$ 4,214,625	\$3,593,519	(21.6)
Federal Revenue	6,690,694	6,458,655	7,442,130	6,356,925	4.9
Total Funds	\$11,488,597	\$11,624,506	\$11,656,755	\$9,950,444	(6.5)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The Preconstruction Program is responsible for completing all the activities relating to projects up to the time projects are let. These activities include designing projects, conducting public hearings, right-of-way purchases, and actual letting of projects.

FTE decrease by 33.92. Thirty-one were reduced in the budget request by the department and the other 2.92 were reductions of positions that were vacant the entire 1986 fiscal year. The personal services budget decrease of 6 percent reflects the FTE reductions.

Operating expenditures were based on fiscal 1986 expenditure levels and are decreased by approximately 13.6 percent in the categories of supplies, communications, travel and other expenditures.

Equipment decreases 27.7 percent. However, it contains 100 percent of the department's request. It should be noted that there is approximately \$400,000 each year for phase II of the computer-aided drafting and designing system (CADD). This request is to expand the system into other areas of the department such as right-of-ways.

Non-operating costs increase 3 percent. This is in the land categories associated with right-of-ways, damages, etc.

State special funds decrease by 21.6 percent due to the reduced program costs and the increase in the federal fund portion of the program. Federal funds are at the level requested by the department.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 6
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	243.00	243.00	0.00
Personal Service	\$ 6,591,594	\$ 6,491,206	\$ 100,388
Operating Expense	2,289,062	1,783,894	505,168
Equipment	<u>1,268,230</u>	<u>1,132,527</u>	<u>135,703</u>
Total Operating Costs	\$10,148,886	\$ 9,407,627	\$ 741,259
Non-Operating Costs	<u>4,190,518</u>	<u>2,080,970</u>	<u>2,109,548</u>
Total Expenditures	<u>\$14,339,404</u>	<u>\$11,488,597</u>	<u>\$2,850,807</u>
<u>Funding</u>			
State Special	\$ 6,923,512	\$ 4,797,903	\$2,125,609
Federal Revenue	<u>7,415,892</u>	<u>6,690,694</u>	<u>725,198</u>
Total Funds	<u>\$14,339,404</u>	<u>\$11,488,597</u>	<u>\$2,850,807</u>

Table 6 shows personal service savings of \$100,388 which is due primarily to vacancy savings. Operating expenditures were \$505,168 under budget. Underexpenditures in travel of \$129,990, utilities of \$16,906, and other expenditures of \$695,167 were offset by overexpenditures of \$288,573 in contract services primarily for contracted engineering firms, in supplies \$31,725, communications \$6,738, rent \$4,223, and repairs \$5,636. Equipment costs were \$135,703 under budget.

The federal fund appropriation reverted \$725,198, however, this was excess authority because all fiscal 1986 federal revenues and fund balances were expended within the fiscal year.

Current Level Adjustments

The current level was adjusted for 33.92 FTE. Thirty-one were reductions made by the department due to implementation of the CADD system and funding reductions that were made in the Special Session III. The other 3.92 FTE were positions vacant in fiscal 1986.

Vacancy savings of 4 percent was applied and this is \$251,750 in fiscal 1988 and \$251,472 in fiscal 1989.

Adjustments in operating expenses include increasing appraiser fees to the fiscal 1985 level, decreasing supplies to appropriated levels, and reducing expenditures in communications, travel, utilities, and other expenditure categories as submitted in the department's budget request.

Equipment is included at \$425,458 in fiscal 1988 and \$394,500 in fiscal 1989 for a 27.7 percent decrease. Included is \$400,500 in fiscal 1988 and \$369,500 in fiscal 1989 for phase II of the CADD system. The system was purchased by the department in fiscal 1986.

Non-operating expense increases by 3 percent. These costs are for rights-of-way and are shown in Table 7 below which compares fiscal 1984 through 1989 requested.

Table 7
Right-Of-Way Non-Operating Expenses

Expenditure Item	Actual			Current Level	
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1988	Fiscal 1989
Land	\$1,313,881	\$1,141,452	\$ 767,567	\$1,468,600	\$ 781,872
Permit Fees	1,762	-0-	-0-	-0-	-0-
Payment for Damages	1,074,638	947,027	672,004	979,072	405,972
Land by Condemnation	591,162	545,049	427,500	611,920	315,750
Family and Business Relocation	172,903	80,858	76,286	88,000	25,000
Deed and Mortgage Fees	5,316	10,554	9,421	11,500	7,200
Land Owners Court Cases	119,734	161,613	84,864	84,864	102,006
Interest on Condemnation Property	70,306	180,470	40,158	66,700	27,900
General	2,304	7,036	3,170	3,170	2,600
Other Improvements	963	-0-	-0-	-0-	-0-
Total	\$3,352,969	\$3,074,059	\$2,080,970	\$3,313,826	\$1,668,300

SERVICE REVOLVING

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	73.25	73.25	67.05	67.05	(6.20)
Personal Service	\$1,850,608	\$1,862,339	\$1,837,590	\$1,838,161	(1.0)
Operating Expense	1,025,651	1,117,522	951,340	936,120	(11.9)
Equipment	57,063	238,000	33,276	26,286	(79.8)
Total Expenditures	\$2,933,322	\$3,217,861	\$2,822,206	\$2,800,567	(8.6)
<u>Fund Sources</u>					
Proprietary Funds	\$2,933,322	\$3,217,861	\$2,822,206	\$2,800,567	(8.6)

The Service Revolving fund primarily consists of the printing units, photo unit, materials bureau and administration, data processing entry and systems programming bureau, and the van pool.

FTE decreased by 6.2. This represents 5.0 FTE transferred to the Construction Program during fiscal 1986 and also the deletion of 1.2 vacant positions. The 1 percent decrease in the personal services budget reflects the deletion of the vacant positions. Operating expenses decrease 11.9 percent. This reduction is in printing supplies and freight, both being reduced to fiscal 1986 budget level. Equipment reflects the department's request. Equipment decreases because of the airplane overhaul in the amount of \$210,000 appropriated in fiscal 1987. If this overhaul does not occur, the department is required in House Bill 30 to revert the \$210,000. Funding for this program is from a proprietary fund that receives its revenues from other programs within the department.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 8
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	73.25	68.25	(5.00)
Personal Service	\$1,893,776	\$1,850,608	\$ 43,168
Operating Expense	1,090,546	1,025,651	64,895
Equipment	40,888	57,063	(16,175)
Total Expenditures	<u>\$3,025,210</u>	<u>\$2,933,322</u>	<u>\$ 91,988</u>
<u>Funding</u>			
State Special	<u>\$3,025,210</u>	<u>\$2,933,322</u>	<u>\$ 91,988</u>

Table 8 shows personal services were underexpended by \$43,168. This represents the savings achieved by transferring 5.0 FTE to construction with no transfer of funds. The program was \$28,733 short of achieving its applied vacancy savings.

Operating expenditures are \$64,895 under budget. Contracted services were underexpended by \$47,238 in data processing, repairs underexpended by \$16,968, communications by \$9,130, and supplies by \$4,039. Other expenditures exceeded the budget by \$14,646. All other categories had a net underexpenditure of \$2,166. Equipment expenditures exceeded the budget by \$16,175.

Current Level Adjustments

Personal services were reduced by 1.2 FTE positions which were vacant. Another 5.0 FTE were transferred to the Construction Program. The personal services budget decrease of 1 percent reflects this FTE reduction. Vacancy savings of 4 percent was applied which amounted to \$75,040 in fiscal 1988 and \$74,973 in fiscal 1989.

Operating expenses decrease 11.9 percent for two reasons. Printing and freight costs were reduced to the appropriated levels. Computer processing inflation rates are negative inflation rates; therefore, the reduction was approximately \$20,000 for fiscal 1988 and \$40,000 for fiscal 1989.

Equipment shows a 79.8 percent reduction, but it includes 100 percent of the department's request.

STATE MOTOR POOL

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	\$142,876	\$139,644	\$147,970	\$148,400	4.9
Operating Expense	225,006	238,528	202,148	212,061	(10.6)
Equipment	<u>489,711</u>	<u>322,120</u>	<u>402,120</u>	<u>360,620</u>	<u>(6.0)</u>
Total Expenditures	<u>\$857,593</u>	<u>\$700,292</u>	<u>\$752,238</u>	<u>\$721,081</u>	<u>(5.4)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$857,593</u>	<u>\$700,292</u>	<u>\$752,238</u>	<u>\$721,081</u>	<u>(5.4)</u>

The motor pool operates a fleet of 158 rental vehicles for state officials and employees in the Helena area. Seven other vehicles are on permanent loan to the Governor's Office and the Department of Highways. The fleet size is based on an average of demand plus one standard deviation. The motor pool has a policy of replacing vehicles that reach 75,000 miles. These vehicles are auctioned off through surplus property. The fee for the auction is 4 percent of the proceeds.

Personal services increase 4.9 percent due to turnover in the supervisor's position in fiscal 1986 and vacancy savings being approximately \$1,400 more in fiscal 1986 than the vacancy savings applied to the two fiscal years of the 1989 biennium. Operating expenses decrease primarily due to reductions in gasoline and the deletion of approximately \$3,000 in the general expense category. These are offset somewhat by a \$5,932 increase in insurance. Equipment decreases by 6 percent due to budgeting for approximately 5 fewer units in the 1989 biennium.

This program is funded from a proprietary fund that generates its revenue from the department and other Helena based agencies who rent vehicles.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 9
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	6.00	6.00	0.00
Personal Service	\$139,282	\$142,876	\$(3,594)
Operating Expense	243,868	225,006	18,862
Equipment	503,197	489,711	13,486
Total Expenditures	<u>\$886,347</u>	<u>\$857,593</u>	<u>\$28,754</u>
<u>Funding</u>			
State Special Revenue	<u>\$886,347</u>	<u>\$857,593</u>	<u>\$28,754</u>

Personal services were overexpended by \$3,594 due primarily to the program not achieving budgeted vacancy savings. Operating expenditures were \$18,862 under budget in three areas: data processing costs were \$11,947 under budget, supplies were approximately \$4,610 under budget mostly in gasoline purchases, and utilities had an underexpenditure of \$2,305. All other operating expenditures had a net underexpenditure of \$184. Equipment purchases were \$13,486 under budget due to purchasing approximately 2 fewer cars than budgeted.

Current Level Adjustments

The personal services budget increases by 4.9 percent. This results from fiscal 1987 having a higher vacancy savings applied and because fiscal 1988 and 1989 have higher benefits. Vacancy savings of 4 percent was applied to the program which amounted to \$5,909 in fiscal 1988 and \$5,920 in fiscal 1989.

Operating expenses are the those requested by the department which had decreases in gasoline and general expense categories offset by an increase in insurance. The decrease of 10.6 percent reflects these changes and also reflects the negative inflation applied to gasoline which reduces the budget approximately \$9,000 between fiscal 1986 and fiscal 1988.

Equipment has a 6 percent decrease. However, it is 100 percent of the department's request.

EQUIPMENT					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988 Fiscal 1989		% Change 1987-89 Biennium
F.T.E.	120.35	120.35	119.35	119.35	(1.00)
Personal Service	\$ 3,328,003	\$ 3,249,152	\$ 3,389,139	\$ 3,402,042	3.3
Operating Expense	4,696,460	4,331,451	4,367,139	4,482,978	(2.0)
Equipment	4,649,030	4,657,099	4,650,099	4,650,099	(0.1)
Total Expenditures	<u>\$12,673,493</u>	<u>\$12,237,702</u>	<u>\$12,406,377</u>	<u>\$12,535,119</u>	<u>0.1</u>
Fund Sources					
State Special	\$2,910,182	\$2,247,850	\$ -0-	\$ -0-	(100.0)
Other	<u>9,763,311</u>	<u>9,989,852</u>	<u>12,406,377</u>	<u>12,535,119</u>	<u>26.3</u>
Total Funds	<u>\$12,673,493</u>	<u>\$12,237,702</u>	<u>\$12,406,377</u>	<u>\$12,535,119</u>	<u>0.1</u>

The Equipment Program is responsible for the purchase, distribution, and maintenance of all highway equipment. Equipment is rented out to various programs within the highway department.

Equipment rental rates have been established for each classification of equipment. Each equipment rental rate is made up of a usage rate and an assigned time rate. A usage rate is a per mile or hourly rental rate that is applied to a piece of equipment only when it is in service on a specific job. An assigned time rate is an hourly rental rate that is applied to a piece of equipment for the normal use period the equipment is assigned to an area, whether the equipment is used or not. In fiscal 1986, approximately \$10,535,865 was generated through charges for equipment.

FTE decrease by 1.00 FTE due to deletion of an administration officer position that was vacant all of fiscal 1986. Personal services increases 3.3 percent.

Operating expenses decrease by 2 percent. These decreases are in gasoline, diesel, and minor maintenance supplies. Gasoline and diesel were reduced to the department's request and minor maintenance supplies were reduced to the fiscal 1986 budgeted level. Equipment purchases reflect the department's request and represent a 0.1 percent decrease from the 1987 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 10
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	120.35	120.35	0.00
Personal Service	\$3,209,168	\$3,328,003	\$(118,835)
Operating Expense	4,517,611	4,696,460	(178,849)
Equipment	4,993,000	4,649,030	343,970
Total Expenditures	<u>\$12,719,779</u>	<u>\$12,673,493</u>	<u>\$ 46,286</u>
<u>Funding</u>			
	\$ 2,920,903	\$ 2,910,182	\$ 10,721
	<u>9,798,876</u>	<u>9,763,311</u>	<u>35,565</u>
Total Funds	<u>\$12,719,779</u>	<u>\$12,673,493</u>	<u>\$ 46,286</u>

Table 10 shows that personal services were overexpended by \$118,835. The major reason was the program had less than 6 percent of the positions turning over and did not realize the budgeted vacancy savings.

Actual operating expenditures were over the budget by \$178,849 due primarily to three major categories. Contracted services were overexpended because of an auctioneer fee of \$23,344 that was not budgeted. This fee was the cost to auction used equipment at the surplus property auction. Supplies and minor tools were overexpended by \$96,827 and propane by \$10,787. Repairs expense was \$58,575 over budget. Other operating expenses categories had a net underexpenditure of \$10,680. Equipment purchases were \$343,970 under the budget.

Current Level Adjustments

Personal services decrease by 1.0 FTE due to a vacant administrative officer position being deleted. The personal services budget increases by 3.3 percent reflecting the increase in salaries from fiscal 1986 to fiscal 1987. Fiscal 1988 and 1989 are computed at the fiscal 1987 pay matrices with a 4 percent vacancy savings applied. Vacancy savings for fiscal 1988 is \$136,920 and fiscal 1989 is \$137,921.

Operating expenses decrease by 2 percent primarily in gasoline and diesel costs. These reductions were made by the department in their budget request. Negative inflation on these two items further reduces them in fiscal 1988. Insurance costs were increased based on notification of the Tort Claims Division.

Equipment costs decrease 0.1 percent. The equipment budget is 100 percent of the equipment requested by the department.

Funding for this program is from two sources, proprietary fund and the state special revenue fund. The proprietary fund receives its revenues from other divisions within the department who use the division's equipment and operations state special revenues are used to pay part of the equipment purchases. An analysis of

the proprietary fund accounts shows that the highway state special revenue subsidy is not needed in the 1989 biennium so the program is shown as being 100 percent funded by the proprietary fund for the 1989 biennium. Table 12 shows the cash flow from fiscal 1986 and projected through fiscal 1989.

Table 11
Analysis of Fund Balance for Equipment Proprietary Fund
Fiscal 1986 through 1989

	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Balance	\$ 24,143,156	\$ 2,900,867	\$ 5,865,029	\$ 3,276,992
Service Revenue	\$ 10,770,255	\$10,363,263	\$ 9,818,340	\$10,296,151
State Special - Trans.	2,910,182	2,590,751	-0-	-0-
Total Funds Avail.	\$ 37,823,593	\$15,854,881	\$15,683,369	\$13,573,143
Disbursements	\$ 10,951,648	\$ 9,989,852	\$12,406,377	\$12,535,119
Adj. to Fund Balance	(23,971,078)	-0-	-0-	-0-
Ending Fund Bal.	<u>\$ 2,900,867</u>	<u>\$ 5,865,029</u>	<u>\$ 3,276,992</u>	<u>\$ 1,038,024</u>

Expenditures reflect those in the budget and revenues reflect those provided by the department in their budget request with the state special being deducted for fiscal years 1988 and 1989. Adjustments to fund balance in fiscal 1986 include reductions for fixed assets and compensated absences so that the fund balance will only reflect liquid assets.

CAPITAL OUTLAY PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
Bond Repayment	\$14,773,285	\$16,563,599	\$16,565,098	\$16,572,990	5.7
Transfers to Recon. Trst.	13,336,604	29,600,000	-0-	-0-	(100.0)
Expenditures and Funds	<u>\$28,109,889</u>	<u>\$46,163,599</u>	<u>\$16,565,098</u>	<u>\$16,572,990</u>	<u>(55.4)</u>

Chapter 557, Laws of 1983, authorized the Department of Highways to issue up to \$150 million of highway revenue bonds. The purpose of this financing was to "accelerate completion of selected remaining interstate gaps and to enable the Department of Highways to better manage its cash resources during the term of the bonds." The department has issued bonds in the amount of \$107 million and still has authorization for \$43 million in unissued bonds. The bond issue was for financing the state's share of the costs of construction, reconstruction, and repair of various state projects, and is to be repaid from the department's fuel taxes and license fee revenues.

Both expenditures and funding decrease 55.4 percent. This results from deleting the transfer of highway state special revenue funds to the reconstruction trust fund in both years of the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 12
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
Bond Repayment	\$14,773,336	\$14,773,285	\$ 51
Transfers to Recon. Trust	32,050,000	13,336,604	18,713,396
Total Non-Op. Exp. & Funding	<u>\$46,823,336</u>	<u>\$28,109,889</u>	<u>\$18,713,447</u>

Table 12 shows an underexpenditure of \$18,713,447 which results from transferring only \$13,336,604 of the \$32,050,000 authorized by the legislature to the reconstruction trust fund.

Current Level Adjustments

The current level deletes the transfer of the highway state special revenue funds to the reconstruction trust account for the biennium because the funds are not available in the highway special revenue account for transfer.

STORES INVENTORY

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	0.00	0.00	0.00	0.00	0.00
Total Exp. & State Special Revenue	<u>\$12,442,561</u>	<u>\$12,643,971</u>	<u>\$13,632,007</u>	<u>\$13,767,451</u>	<u>9.2</u>

The Highway Stores Program is used to purchase and store materials such as sand, road oil, and gasoline which is needed by the other highway department programs. Physically separate store operations are maintained in Helena, at each of the field areas, and at their respective section houses. Known as Stores

Headquarters, the Helena branch of the stores system addresses the needs of the Helena headquarters building and shop facility and acts as the central receiving and distribution center for all quantity stores purchases made for the highway department.

Operating expenses increase by 9.2 percent. This increase is in gasoline and sand purchases because of inventory draw down. Contract services were also increased to allow for additional production of oil mixed materials from private contractors.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 13
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
Operating Costs and State Special Revenue Funds	<u>\$13,050,700</u>	<u>\$12,442,561</u>	<u>\$608,139</u>

Table 13 shows that the program's expenditures were approximately \$608,139 under the appropriation. Most of this underexpenditure is in three different categories. Supplies were under budget by \$326,664, primarily in gasoline purchases. Rent was under budget by \$136,258 primarily in the area of vehicle rental from the Equipment Division. Repairs were also \$136,376 under budget with most of this difference in road materials.

Current Level Adjustments

Operating expenses increase 9.2 percent. This increase is in three items: gasoline, sand, and gravel. All three increases are to replace inventory depletions.

House Bill 500 from the 1985 session required the department to develop a pricing structure in the stores program to maintain a positive cash balance. The reason for this language was the department had a separate store account from which it bought and sold the various commodities used by the other programs operating as their purchaser. The pricing system reflected the purchase price of the commodity and this was the cost when the commodity was sold. As replacement costs were going up, the department was in a position of not generating enough revenues for commodity replacement. Therefore the account would finish the fiscal year in a negative cash position and would have to be subsidized from the state special revenue account.

In fiscal 1986 the department changed its store operation and pays all bills directly from the highway state special revenue account. This takes care of the negative cash problem and the result is the same because it was the state special revenue account that subsidized the program. This change impacts the revenue and

expenditure levels of the department by doubling them for the stores program. Expenditures made in the stores to purchase commodities are duplicated when programs buy commodities from the stores program. Monies received by the store program for commodities are recorded as revenues so revenues are also duplicated. The impact to the department's budget is duplicated revenues and expenditures in the state special revenue account of approximately \$13 million per fiscal year.

GROSS VEHICLE WEIGHT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	107.14	118.14	113.00	113.00	(5.14)
Personal Service	\$2,299,072	\$2,613,686	\$2,625,070	\$2,630,986	7.0
Operating Expense	789,331	788,221	762,262	767,174	(3.1)
Equipment	116,452	33,560	54,920	54,120	(27.3)
Total Expenditures	<u>\$3,204,855</u>	<u>\$3,435,467</u>	<u>\$3,442,252</u>	<u>\$3,452,280</u>	<u>3.8</u>
Fund Sources					
State Special	<u>\$3,204,855</u>	<u>\$3,435,467</u>	<u>\$3,442,252</u>	<u>\$3,452,280</u>	<u>3.8</u>

The Gross Vehicle Weight Division provides enforcement of the statutes and regulations relating to vehicle weights on the state's highways (Title 61, MCA) and collects gross vehicle weight fees. It consists of two bureaus. The Licensing and Collection Bureau registers interstate fleets of vehicles, issues GVW fee licenses, issues oversize and overweight permits, and collects fees and taxes. The Enforcement Bureau operates weight stations across the state and assigns enforcement officers to inspect vehicles for compliance with registration, fuel, size, and weight laws.

FTE decreases by 5.14 from fiscal 1987 to fiscal 1988. There were 3 FTE transferred to the General Operations Program and 2.14 FTE administration position were deleted as part of the cutback by the department to address the pay plan reduction and budget cuts made in Special Session III. The personal services budget increases by 7 percent due to increase the number of officers over fiscal 1986 plus in fiscal 1986 the program realized approximately \$49,000 in vacancy savings. Operating expenses decrease by 3.1 percent primarily due to decrease in building repairs of \$51,000 made at the department's request. Equipment is 100 percent of the department's requested equipment.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 14
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	107.14	106.64	0.50
Personal Service	\$2,340,448	\$2,299,072	\$ 41,376
Operating Expense	843,542	789,331	54,211
Equipment	34,090	116,452	(82,362)
Total Exp. and Funding	<u>\$3,218,080</u>	<u>\$3,204,855</u>	<u>\$ 13,225</u>

The \$41,376 underexpenditure in personal services results from a 0.5 FTE position transferred to General Operations without transferring funds and vacancy savings achieved by the program. Operating expenses are \$54,211 under the budget. Underexpenditures of \$64,692 in contract data processing services, utilities of \$12,139 and allowances and relocation expenses of \$22,171 are offset by overexpenditures of \$18,165 in supplies, \$6,686 in communications, \$9,646 in rent, and \$10,294 in repairs. Equipment was overspent by \$82,362.

Current Level Adjustments

Personal services was reduced by 2.14 FTE vacant positions. There were also 3 FTE transferred to the General Operations Program for a total decrease of 5.14 FTE. Vacant GVW officer positions were left in the budget because of the two new stations in Havre and De Borgia coming on line and the positions will be needed. The personal services budget increases by 7 percent primarily because of the vacant positions in both fiscal 1986 and 1987 created a lower personal services cost in fiscal 1986 and a lower projected budget in fiscal 1987. Vacancy savings of 4 percent was applied which amounted to \$105,760 in fiscal 1988 and \$105,839 in fiscal 1989.

Operating expenses decrease by 3.1 percent primarily in building and grounds repairs category as requested by the department. Electricity was increased for the two new stations at Havre and De Borgia.

Equipment decreased by 27.3 percent. However, it reflects 100 percent of the department's request.

DEPARTMENT OF ADMINISTRATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	----- Biennium General Fund	----- Total Funds
Executive Budget	413.09	\$8,115,066	\$74,051,451
LFA Current Level	410.09	7,509,699	69,983,278
Executive Over (Under) LFA	<u>==3.00</u>	<u>\$ 605,367</u>	<u>\$ 4,068,173</u>

The executive recommends 3.0 FTE and \$4,068,173 more total funds for the Department of Administration in the 1989 biennium than is included in the LFA current level. This is attributable to 8 modified recommendations and other adjustments adding 7.0 FTE and \$7 million offset by recommendations which reduced FTE by 4.0 and the total expenditures by \$3 million.

ISSUE 1: MODIFIED REQUESTS

The executive has recommended approval of eight modified requests totaling \$3.8 million. The FTE and fiscal requirements of each modified request are summarized below in Table A. None of these modified requests are included in the LFA current level.

Table A
Modified Requests Recommended by the Executive
1989 Biennium

Division	FY 89 FTE	General Fund	Other Funds	Total Funds
1. Information Services Division Central Computer Operations	0.0	\$ -0-	\$ 971,000	\$ 971,000
2. Information Services Division System Development	0.0	-0-	250,000	250,000
3. Information Services Division Telecommunications	0.0	-0-	815,352	815,352
4. Mail and Management	2.0	-0-	831,898	831,898
5. Investment Division Portfolio Managers	2.0	-0-	133,668	133,668
6. Investment Division Link Deposit Program	0.0	\$500,000	-0-	500,000
7. State Tax Appeal Board	0.0	271,084	-0-	271,084
8. Public Employees' Retirement	0.0	-0-	50,000	50,000
Total Modified Recommendation	<u>4.0</u>	<u>\$771,084</u>	<u>\$3,051,918</u>	<u>\$3,823,002</u>

ISSUE 2: EXECUTIVE RECOMMENDS HIGHER OPERATING EXPENSES

The executive has recommended higher operating expenses than LFA current level in 14 of the department's programs. A total of approximately \$2.9 million is included in the executive recommendation for higher operating expenses. This is composed of approximately \$575,000 for higher contracted services, \$1.35 million for higher goods for resale, and \$960,000 for other operating expenses. The current level budget adjusted base year operating expenses only when the agency could justify or document the need for increased operating expenses in the 1989 biennium.

ISSUE 3: TRANSFER APPROPRIATION AUTHORITY

LFA current level includes \$2.6 million transfer appropriation authority in two programs, general services and tort claims, which is not included in the executive recommendation. In order to comply with generally accepted accounting principles, the department issued a management memo in fiscal 1986 directing agencies to transfer non-proprietary funds used to support proprietary fund operations into the proprietary fund so that all expenditures would appear on the accounting system as coming from the proprietary fund.

In order to comply with this management memo, the general services divisions and tort claims division sought and obtained a temporary appropriation through administrative appropriation authority. The current level budget includes the transfer authority while the executive budget does not have this transfer authority.

The Budget Analysis attempts to reflect the general operating procedures of the state as well as the policies of the legislature when presenting its current level budget.

ISSUE 4: EXECUTIVE DELETES SOCIAL SECURITY PROGRAM IN PUBLIC EMPLOYEES' RETIREMENT DIVISION

The executive has recommended four FTE and \$158,000 be deleted from the public employees' retirement division in the 1989 biennium as it expects the Social Security Administration to amend the existing federal/state agreement removing the responsibility of collecting state and local government social security contributions from the division.

The current level budget did not remove the FTE as the future of the social security program was uncertain at the time the analysis was compiled. The four FTE are in LFA current level funded from the investment earnings of the division.

DEPARTMENT OF ADMINISTRATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	419.30	414.09	406.09	410.09	(4.00)
Personal Services	\$10,494,831	\$10,700,139	\$10,702,433	\$10,791,420	1.41
Operating Expenses	18,090,145	20,391,312	18,787,431	19,152,478	(1.41)
Equipment	1,828,450	1,944,391	1,336,533	1,126,483	(34.72)
Total Operating Costs	\$30,413,426	\$33,035,842	\$30,826,397	\$31,070,381	(2.45)
Non-Operating Costs	2,985,177	2,520,780	4,044,546	4,041,954	46.87
Total Expenditures	\$33,398,603	\$35,556,622	\$34,870,943	\$35,112,335	1.49
<u>=====</u>					
Fund Sources					
General Fund	\$ 3,706,889	\$ 3,710,456	\$ 3,750,838	\$ 3,758,861	1.25
State Special	843,128	895,448	842,269	843,342	(3.05)
Other	28,848,586	30,950,718	30,277,836	30,510,132	1.65
Total Fund	\$33,398,603	\$35,556,622	\$34,870,943	\$35,112,335	1.49
<u>=====</u>					

The primary goal of the department is to provide services to state agencies in the areas of accounting, financial reporting, insurance, communications, data processing, personnel management and labor relations, purchasing, printing, mail and messenger, and records management.

The department also administers the Long-Range Building Program, State Employee Group Benefits Program, and various state retirement programs.

Functions attached to the department for administrative purposes include the Board of Examiners, State Tax Appeals Board, Workers' Compensation Court, Board of Investments, Public Employees Retirement System, and Teachers' Retirement Division.

The current level budget provides an overall 1.5 percent increase in total expenditures from the 1987 biennium to the 1989 biennium. Overall FTE decreases a net 4.0 between fiscal 1987 and 1989. Decreases totaling 8.0 FTE appear in accounting (0.25), architecture and engineering (0.25), information services (1.25), general services (0.75), purchasing (0.50), centralized services (0.50), investments (2.5), personnel (1.5), and tort claims (0.50). Offsetting increases appear in information services (3.0) and personnel (1.0).

Personal services increase 1.4 percent as the 1989 biennium salaries are based on the fiscal 1987 pay matrix and fiscal 1986 vacancy savings exceeded budgeted vacancy savings by approximately \$197,000.

Non-operating costs include long-term lease purchase costs and accounting entity transfers to comply with generally accepted accounting principles. Lease purchase costs account for \$215,866 of the biennial \$2,580,543 increase; accounting entity transfers account for the remainder.

General fund increases 1.25 percent in the current level budget primarily because the common area allocation funded by general fund in the general services budget follows legislative intent in the current level budget rather than the actual expenditure pattern of the department. In fiscal 1986, the agency spent \$106,642 less general fund than authorized by the 1985 legislature. General fund also increases because \$25,000 is included in fiscal 1989 for the governor-elect program required by Section 2-15-221, MCA.

DIRECTOR'S OFFICE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
	1986	1987	1988	1989	Biennium
F.T.E.	8.00	8.00	8.00	8.00	0.00
Personal Service	\$260,518	\$272,705	\$276,916	\$276,625	3.8
Operating Expense	23,037	26,965	26,207	27,117	6.6
Equipment	11,581	-0-	-0-	-0-	(100.0)
Total Expenditures	\$295,136	\$299,670	\$303,123	\$303,742	2.0
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$253,155	\$257,695	\$254,047	\$255,053	(0.3)
Proprietary	41,981	41,975	49,076	68,689	16.4
Total Funds	\$295,136	\$299,670	\$303,123	\$303,742	2.0
	=====	=====	=====	=====	=====

The Director's Office supervises and coordinates the activities of the various divisions within the department and the administratively attached boards and agencies. Services provided by the staff include legal services, management reviews, assistance in special projects, and assistance to the Board of Examiners.

The current level budget provides a 2 percent increase in total expenditures from the 1987 biennium to the 1989 biennium. Personal services increase 3.8 percent as the current level budget reflects the fiscal 1987 salary matrix. Operating expenses increase 6.6 percent due to higher expenditures for insurance, computer communication charges, and computer maintenance costs.

The Director's Office is funded from general fund and from fees charged to various divisions for legal staff housed in the Director's Office. General fund decreases 0.3 percent while the proprietary fund supporting the legal function increases 16.4 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	8.00	8.00	0.00
Personal Service	\$269,371	\$260,518	\$ 8,853
Operating Expense	26,103	23,037	3,066
Equipment	-0-	11,581	(11,581)
Total Expenditures	<u>\$295,474</u>	<u>\$295,136</u>	<u>\$====338=</u>
<u>Funding</u>			
General Fund	\$253,422	\$253,155	\$ 267
Proprietary Funds	42,052	41,981	71
Total Funds	<u>\$295,474</u>	<u>\$295,136</u>	<u>\$====338=</u>

Fiscal 1986 actual expenditures were \$338 less than authorized by the legislature. Personal services was \$8,853 less than authorized due to 1.0 FTE working three-fourth time in fiscal 1986. This savings in personal services, together with a cumulative \$3,066 savings in supplies, travel, repair, and other expenses, funded the purchase of office equipment and a personal computer and related software not requested by the agency nor authorized by the 1985 legislature.

Current Level Adjustments

The current level budget includes adjustments totaling \$2,156 for increases in insurance costs, computer communication charges, and maintenance contracts.

GOVERNOR ELECT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expenses	\$-0- =====	\$-0- =====	\$-0- =====	\$25,000 =====	--- =====
<u>Fund Sources</u>					
General Fund	\$-0- =====	\$-0- =====	\$-0- =====	\$25,000 =====	--- =====

Section 2-15-221, MCA provides that the Department of Administration shall provide the governor-elect and his necessary staff with suitable office space in the Capitol Building together with operating expenses for the period between the general election and the inauguration. The current level budget provides \$25,000 in fiscal 1989 for this purpose.

ACCOUNTING DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	12.25	12.25	12.00	12.00	(0.25)
Personal Service	\$316,110	\$319,516	\$323,583	\$323,562	1.8
Operating Expense	499,650	489,018	478,141	449,808	(6.1)
Equipment	12,982	-0-	-0-	-0-	(100.0)
Total Expenditures	\$828,742 =====	\$808,534 =====	\$801,724 =====	\$773,370 =====	(3.8) =====
<u>Fund Sources</u>					
General Fund	\$828,742 =====	\$808,534 =====	\$801,724 =====	\$773,370 =====	(3.8) =====

The Accounting Division operates the Statewide Budgeting and Accounting System (SBAS) and is responsible for processing and recording the state's financial transactions. The division also maintains the Property Accountability Management System which is the state's primary fixed asset accounting system. An annual financial report of all the state's financial activity is prepared after the close of each fiscal year by the division.

The current level budget provides a 3.8 percent decrease from the 1987 biennium to the 1989 biennium. Personal services increases 1.8 percent because the fiscal 1986 appropriation was underspent by \$2,970, the fiscal 1987 appropriated amount reflects

a \$10,505 shortfall in the pay plan, and the 12.0 FTE in the 1989 biennium reflect fiscal 1987 pay matrix salaries.

Operating expenses decrease 6.1 percent. The agency removed funding for part of its key verification of SBAS documents function to absorb the 5 percent reduction in fiscal 1987. This reduction is continued into the 1989 biennium.

The accounting division is funded from general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	12.50	12.25	0.25
Personal Service	\$319,080	\$316,110	\$ 2,970
Operating Expense	512,469	499,650	12,819
Equipment	-0-	12,982	(12,982)
Total Exp. and Gen. Fund	<u>\$831,549</u>	<u>\$828,742</u>	<u>\$ 2,807</u>

Fiscal 1986 total expenditures were \$2,807 less than the appropriation. Personal services expenditures were \$2,970 less than the appropriation as one FTE worked only 1803 hours of the year, or 86 percent. Operating expenditures were \$12,819 less than appropriated with the majority of savings coming in computer processing fees. The savings in operations was used to purchase office equipment, a personal computer, and software not authorized by the legislature.

Current Level Adjustments

The current level budget provides for fiscal 1987 services in the 1989 biennium. A 0.25 FTE clerk is reduced at a biennial \$7,800 general fund savings. The contract with Information Services Division to provide key verification of SBAS documents was reduced \$29,000 by the agency in fiscal 1987. This is also continued into the 1989 biennium.

Additional general fund, \$875, is provided to allow for insurance increases and maintenance for two personal computers purchased in fiscal 1986. A total of \$2,760 was removed from supplies and materials to provide for average expenditures in fiscal years 1984 and 1985. In fiscal 1988, \$18,000 is provided for legislative audit costs.

ARCHITECTURE AND ENGINEERING DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	14.96	15.59	15.25	15.25	(0.25)
Personal Service	\$ 418,278	\$ 467,275	\$ 451,082	\$ 450,772	1.8
Operating Expense	86,526	80,740	95,980	98,700	16.4
Equipment	26,356	3,704	2,428	2,060	(85.1)
Total Operating Costs	\$ 531,160	\$ 551,719	\$ 549,490	\$ 551,532	1.7
Non-Operating Costs	536,737	544,106	549,490	551,532	1.9
Total Expenditures	\$1,067,897	\$1,095,825	\$1,098,980	\$1,103,064	1.8
<u>Fund Sources</u>					
State Special	\$ 531,160	\$ 551,719	\$ 549,490	\$ 551,532	1.7
Capital Projects Fund	536,737	544,106	549,490	551,532	1.9
Total Funds	\$1,067,897	\$1,095,825	\$1,098,980	\$1,103,064	1.8

The Architecture and Engineering Division oversees construction, renovations, and repair of state-owned buildings. The division also formulates a long-range building plan for legislative consideration each session.

The current level budget provides a 1.8 percent increase from the 1987 biennium to the 1989 biennium. The FTE decreases 0.25 from fiscal 1987 to fiscal 1989 as the division eliminated a 0.25 FTE file clerk and a 1.0 FTE Secretary II position from their request and added a 1.0 FTE Purchasing Agent III.

Operating expenses increase 16.4 percent between the 1987 and 1989 biennium primarily because the department of administration is allocating a larger portion of the director's office legal staff costs to the architecture and engineering division. The current level budget provides \$18,138 in fiscal 1988 and \$17,996 in fiscal 1989 for these legal costs compared to \$8,583 spent for these services in fiscal 1986.

Equipment expenditures in the 1989 biennium are budgeted to decrease 85.1 percent. Equipment expenditures in fiscal 1986 were extraordinarily high. This is discussed in the comparison section following Table 3.

The non-operating costs reflect the amount of spending authority necessary to transfer funds from the long range building cash program account to the state special revenue account to support the Architecture and Engineering Division.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.50	14.96	(0.54)
Personal Service	\$ 442,738	\$ 418,278	\$ 24,460
Operating Expense	89,655	86,526	3,129
Equipment	4,345	26,356	(22,011)
Total Expenditures	<u>\$ 536,738</u>	<u>\$ 531,160</u>	<u>\$ 5,578</u>
<u>Funding</u>			
State Special	\$ 536,738	\$ 531,160	\$ 5,578
Capital Projects Fund	528,864	528,864	-0-
Total Funds	<u>\$1,065,602</u>	<u>\$1,060,024</u>	<u>\$ 5,578</u>
<u>Additions</u>			
Statutory Appropriation	<u>\$ 7,874</u>	<u>\$ 7,874</u>	<u>\$ -0-</u>

Actual fiscal 1986 expenditures were \$5,578 less than the legislative appropriation. Personal services were \$24,460 less than appropriated as two positions were vacant most of the year and a net 0.54 FTE was transferred out of the program. These savings offset the increased personal services due to the long time division administrator retiring and his resulting termination payout, and a 0.25 FTE purchasing agent being transferred into the program without any accompanying funds.

Operating expenses were \$3,128 less than appropriated. This was caused by contracted services, travel, and rent expenditures being \$13,921 less than budgeted. Supplies, communications, and other operating expenses were overspent \$10,793.

The division spent \$22,011 more for equipment than authorized by the legislature, primarily for personal computers.

Current Level Adjustments

Contracted services were increased \$8,856 in fiscal 1988 and \$10,582 in fiscal 1989 from fiscal 1986 base expenditures to cover cost increases in insurance and bonds, legal fees, payroll service fees, computer processing charges, printing, and photocopying charges. Travel expenditures were reduced \$1,500 by the agency as a cost saving measure. Fiscal 1986 office rent expenditures were increased \$4,289 to reflect a full year's rent for the division's move into the new DNRC building. Fiscal 1986 registration fee expenditures were reduced to \$700 to reflect an expenditure level more typical of fiscal 1984 and fiscal 1985 expenditures and there were \$1,491 of miscellaneous reductions.

PUBLICATIONS AND GRAPHICS DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	27.00	30.50	26.50	30.50	0.00
Personal Service	\$ 616,850	\$ 696,136	\$ 626,168	\$ 716,812	2.3
Operating Expense	2,246,033	2,941,759	2,300,461	2,512,882	(7.2)
Equipment	56,569	340,105	28,959	1,115	(92.4)
Total Operating Costs	\$2,919,452	\$3,978,000	\$2,955,588	\$3,230,809	3.2
Non-Operating Costs	375,553	-0-	375,553	375,553	100.0
Total Expenditures	<u>\$3,295,005</u>	<u>\$3,978,000</u>	<u>\$3,331,141</u>	<u>\$3,606,362</u>	<u>(4.6)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$3,295,005</u>	<u>\$3,978,000</u>	<u>\$3,331,141</u>	<u>\$3,606,362</u>	<u>(4.6)</u>

The Publications and Graphics Division provides centralized duplicating and photocopying services, graphics design and layout, typesetting forms design, and other functions to provide camera-ready copy to state agencies.

The current level budget provides a 4.6 percent decrease in total expenditures from the 1987 biennium to the 1989 biennium. Personal services increases 2.3 percent as the salaries are calculated using fiscal 1987 pay matrices.

Operating expenses decrease 7.2 percent primarily because the fiscal 1988 and 1989 budget for the non-state printing claims auditor was based on fiscal 1986 expenditures rather than the appropriated level. The non-state printing appropriation was approximately \$650,000 more than expended.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	27.00	27.00	0.00
Personal Service	\$ 627,795	\$ 616,850	\$ 10,945
Operating Expense	2,977,287	2,246,033	731,254
Equipment	<u>348,473</u>	<u>56,569</u>	<u>291,904</u>
Total Operating Costs	\$3,953,555	\$2,919,452	\$1,034,103
Non-Operating Costs	<u>-0-</u>	<u>375,553</u>	<u>(375,553)</u>
Total Costs and Funding	<u>\$3,953,555</u>	<u>\$3,295,005</u>	<u>\$ 658,550</u>

Fiscal 1986 expenditures were \$658,550 less than authorized by the 1985 legislature. Personal services were \$10,945 less because the agency spent less on overtime and longevity than budgeted by the 1985 legislature.

Operating expenses were \$731,254 less than authorized with the majority of the savings coming in goods for resale where savings totaled \$762,571. Equipment expenditures were \$291,904 less than budgeted; however, non-operating costs which include equipment lease purchase payments were \$375,553 higher than authorized. Overall, equipment expenditures were \$83,648 higher than authorized. This was caused by the large number of users joining the photocopy pool for which machines were obtained to respond to the increased demand.

Current Level Adjustments

The current level budget continued the agency's 1.25 FTE reduction caused by the pay plan shortfall in fiscal 1987. The budget does provide for 26.5 FTE in fiscal 1988 and 30.5 FTE in fiscal 1989 funded from the 1987 pay matrix with an adjustment for 4 percent vacancy savings.

Operating expenses totaling \$237,971 were added to fiscal 1989 only for the 1989 legislative session. These costs included overtime, photocopy equipment rental, photocopy and printer maintenance, supplies, paper, and other miscellaneous costs.

Funds totaling \$375,553 were also included for equipment lease purchase contracts each year of the 1989 biennium.

INFORMATION SERVICES DIVISION

The Information Services Division is comprised of five subprograms: resource management and administration, central computer operations, information services, systems development, and telecommunications. These subprograms are presented separately in the budget analysis.

The agency has proposed a new rate structure for the services offered by the division to be effective in fiscal 1988. Processing costs will be reduced while network charges and printing costs will increase. New rates for services not previously billed include a subscription fee assessed for each personal computer an agency owns which will pay for support services offered by the information center, network installation and tape mounts. The fiscal impact has been estimated by the department and has been incorporated into each agency's current level budget. The overall savings is estimated to be \$104,054 in the 1989 biennium.

INFORMATION SERVICES DIVISION--RESOURCE MANAGEMENT AND ADMINISTRATION

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	\$213,497	\$214,119	\$236,833	\$237,072	10.8
Operating Expense	68,577	50,677	62,409	44,055	(10.7)
Equipment	3,217	1,000	-0-	-0-	(100.0)
Total Operating Costs	\$285,291	\$265,796	\$299,242	\$281,127	5.3
Non-Operating Costs	265	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$285,556</u>	<u>\$265,796</u>	<u>\$299,242</u>	<u>\$281,127</u>	<u>5.3</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$285,556</u>	<u>\$265,796</u>	<u>\$299,252</u>	<u>\$281,127</u>	<u>5.3</u>

The Resource Management/Administration program administers the ISD division and controls, coordinates, and plans for statewide data processing and information services.

The current level budget provides a 5.3 percent increase in total expenditures from the 1987 to the 1989 biennium. The cause of this increase is the 10.8 percent personal services increase. Personal services increases significantly while FTE remain constant because a 1.0 FTE was transferred into the program at an estimated annual \$39,000 cost while another 1.0 FTE was deleted at an estimated annual savings of \$23,600.

Operating expenses are budgeted to decrease 10.7 percent in the 1989 biennium because a one-time consulting contract for \$23,625 was removed from the base expenditures and approximately \$9,800 per year was added for the division's share of the department lawyers. Operating expense decreases between fiscal 1988 and 1989 because \$18,605 is included in the fiscal 1988 budget for audit costs.

This program is funded from the central data processing proprietary fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	0.00
Personal Service	\$223,475	\$213,497	\$ 9,978
Operating Expense	70,814	68,577	2,237
Equipment	5,000	3,217	1,783
Other Expenses	-0-	265	(265)
Total Exp. and Funding	<u>\$299,289</u>	<u>\$285,556</u>	<u>\$13,733</u>

Fiscal 1986 expenditures were \$13,733 less than the amount authorized by the 1985 legislature. Personal services were \$9,978 less than authorized because vacancy savings exceeded the budgeted amount. Operating expenses were \$2,237 less than authorized. Savings was possible in supplies, communications, travel, and other expenses. Cost overruns were seen in contracted services, rent, and repair and maintenance.

INFORMATION SERVICES DIVISION - CENTRAL COMPUTER OPERATIONS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	78.45	77.45	76.45	76.45	(1.00)
Personal Service	\$1,910,847	\$1,931,628	\$1,932,359	\$1,931,293	0.6
Operating Expense	2,176,760	2,268,505	2,200,304	2,231,032	(0.3)
Equipment	1,428,410	1,445,108	1,256,960	1,078,963	(18.7)
Total Operating Costs	\$5,516,017	\$5,645,241	\$5,389,623	\$5,241,288	(4.8)
Non-Operating Costs	119,563	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$5,635,580</u>	<u>\$5,645,241</u>	<u>\$5,389,623</u>	<u>\$5,241,288</u>	<u>(5.8)</u>
Fund Sources					
Proprietary Funds	<u>\$5,635,580</u>	<u>\$5,645,241</u>	<u>\$5,389,623</u>	<u>\$5,241,288</u>	<u>(5.8)</u>

The Central Computer Operations Program provides mainframe computer processing 24 hours a day, 7 days a week. Other services include data network control and management, data entry and word processing, problem resolution, technical support, and records management.

The current level budget provides a 5.8 percent decrease in the 1989 biennium from the 1987 biennium. The major cause of the decrease is equipment expenditures are budgeted to decrease 18.7 percent in the 1989 biennium.

This program is funded from the central data processing proprietary fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	81.45	78.45	3.00
Personal Service	\$1,894,004	\$1,910,847	\$ (16,843)
Operating Expense	2,093,505	2,176,760	(83,255)
Equipment	<u>1,776,067</u>	<u>1,428,410</u>	<u>347,657</u>
Total Operating Costs	\$5,763,576	\$5,516,017	\$ 247,559
Non-Operating Costs	<u>-0-</u>	<u>119,563</u>	<u>(119,563)</u>
Total Exp. and Funding	<u>\$5,763,576</u>	<u>\$5,635,580</u>	<u>\$ 127,996</u>

Fiscal 1986 expenditures were \$127,996 less than appropriated. Personal services expenditures were \$16,843 greater than appropriated as the agency experienced higher overtime than budgeted. Operating expenses were \$83,255 higher than budgeted due primarily to purchasing mainframe-related software for resale which was higher than anticipated by the 1985 legislature. Equipment purchases were \$347,657 less than budgeted due primarily to the availability of mainframe equipment at a cost lower than estimated during the 1985 session.

Non-operating costs include capital outlay for the installation of an electrical power conditioning system. These costs were not budgeted by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 76.45 FTE funded from the 1987 salary pay matrix with an adjustment for 4 percent vacancy savings. This is a reduction of

2.0 FTE from the fiscal 1986 actual level. Overtime was included at approximately \$78,000 each year.

Major adjustments to operating expenses included:

1. A reduction of \$51,000 for one-time consulting contracts;
2. An increase of \$14,517 in fiscal 1988 and \$22,179 in fiscal 1989 for increased paper costs;
3. An increase of \$22,071 in fiscal 1988 and \$108,616 in fiscal 1989 for increased software costs;
4. A fiscal 1988 \$8,186 decrease and fiscal 1989 \$5,409 decrease for Department of Administration rent offset by a \$11,019 increase for non-Department of Administration rent.
5. A \$16,479 increase in fiscal 1988 for interest costs on lease purchased equipment and a \$52,575 decrease in fiscal 1989.

INFORMATION SERVICES DIVISION - INFORMATION CENTER

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	12.00	9.00	12.00	12.00	3.00
Personal Service	\$329,668	\$249,179	\$334,404	\$334,596	15.6
Operating Expense	126,612	87,445	77,054	77,373	(27.9)
Equipment	<u>17,117</u>	<u>65,620</u>	<u>36,000</u>	<u>36,000</u>	<u>(13.0)</u>
Total Operating Costs	\$473,397	\$402,244	\$447,458	\$447,969	2.3
Non-Operating Costs	<u>1,591</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(100.0)</u>
Total Expenditures	<u>\$474,988</u>	<u>\$402,244</u>	<u>\$447,458</u>	<u>\$447,969</u>	<u>2.1</u>
Fund Sources					
Proprietary Funds	<u>\$474,988</u>	<u>\$402,244</u>	<u>\$447,458</u>	<u>\$447,969</u>	<u>2.1</u>

The Information Center Bureau of the Information Services Division provides user assistance, trains users on mainframe and microcomputer products, provides technical support for microcomputers and word processing systems, and provides consultation on office automation needs, system selection, and implementation planning.

The current level budget increases 2.1 percent from the 1987 biennium to the 1989 biennium. Personal services increase 15.6 percent as 3.0 FTE are transferred to this bureau from other agency divisions.

Operating expenses decrease 27.9 percent between blenniums because the agency transferred the function of purchasing software for resale from this bureau to Central Stores in fiscal 1987.

Equipment purchases are budgeted to decrease 13 percent in the 1989 biennium.

This bureau is funded from the central data processing proprietary fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	12.00	(3.00)
Personal Service	\$262,706	\$329,668	\$(66,962)
Operating Expense	113,402	126,612	(13,210)
Equipment	80,970	17,117	63,853
Total Operating Costs	\$457,078	\$473,397	\$(16,319)
Non-Operating Costs	-0-	1,591	(1,591)
Total Exp. and Funding	<u>\$457,078</u>	<u>\$474,988</u>	<u>\$(17,910)</u>
<u>Funding</u>			
Proprietary Funds	<u>\$457,078</u>	<u>\$474,988</u>	<u>\$(17,910)</u>

Fiscal 1986 expenditures were \$17,910 higher than authorized by the 1985 legislature. Personal services were \$66,962 higher than authorized because the bureau transferred in 3 FTE without adding appropriation authority to pay for the positions. In addition, three positions were upgraded in the bureau in fiscal 1986.

Operating expenses exceeded the legislative authorization by \$13,210. Approximately \$12,000 was saved in supplies and materials while goods for resale, software programs, was overspent by nearly \$25,000.

Equipment expenditures were \$63,853 less than authorized by the 1985 legislature as the agency recorded equipment expenditures for this bureau in the Central Computer Operations Bureau.

Current Level Adjustments

The 1989 biennium current level budget includes funding for 12.0 FTE, with salaries based on the fiscal 1987 pay matrix and a 4 percent vacancy savings adjust-

ment. Rent was adjusted \$1,702 to pay for increased square footage occupied by the bureau in the Mitchell building. Computer hardware and software purchases are included at \$36,000 each year of the 1989 biennium.

INFORMATION SERVICES DIVISION - SYSTEMS DEVELOPMENT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	24.00	23.00	23.00	23.00	0.00
Personal Service	\$ 747,380	\$753,508	\$737,818	\$736,952	(1.7)
Operating Expense	251,445	150,725	222,095	223,115	10.7
Equipment	6,418	5,706	-0-	-0-	(100.0)
Total Expenditures	\$1,005,243 =====	\$909,939 =====	\$959,913 =====	\$960,067 =====	0.3 =====
Fund Sources					
Proprietary Funds	\$1,005,243 =====	\$909,939 =====	\$959,913 =====	\$960,067 =====	0.3 =====

The Systems Development Bureau of the Information Services Division is responsible for planning, designing, developing and supporting application systems for state agencies.

The current level budget provides a 0.3 percent increase from the 1987 biennium to the 1989 biennium. Personal services decrease 1.7 percent between bienniums because the 1989 biennium personal services includes 4 percent vacancy savings rather than the 2 percent applied in the 1987 biennium.

Operating expenses increase 10.7 percent because the costs of purchasing productivity software was transferred to this subprogram in fiscal 1986 and is budgeted from this subprogram in the 1989 biennium.

The program is funded from the central data processing proprietary fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 8
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	23.00	24.00	(1.00)
Personal Service	\$763,416	\$ 747,380	\$ 16,036
Operating Expense	146,938	251,445	(104,507)
Equipment	<u>13,096</u>	<u>6,418</u>	<u>6,678</u>
Total Exp. and Funding	<u>\$923,450</u>	<u>\$1,005,243</u>	<u>\$ (81,793)</u>

Fiscal 1986 expenditures exceeded the appropriation by \$81,793. FTE increased 1.0 due to a transfer from other programs within the department. Personal services were \$16,036 less than the appropriation because actual vacancy savings exceeded the budgeted amount and because one position was downgraded. The savings generated by the vacancy savings and downgrade, approximately \$43,000, was offset approximately \$29,200 by four position upgrades and one termination payout.

Operating expenses exceeded the appropriation by \$104,507. The major cause of this was the systems development bureau taking responsibility for productivity software purchases in fiscal 1986 which had formerly been handled by the central computer operations bureau.

Equipment expenditures were \$6,678 less than appropriated.

Current Level Adjustments

The current level budget funds 23.0 FTE from the fiscal 1987 pay matrix with an adjustment for 4 percent vacancy savings. The agency spent \$38,078 of its \$99,840 contracted services appropriation for contract programming. In accordance with the general appropriations act of the Forty-Ninth Legislature, the \$38,078 was removed from the current level budget in the 1989 biennium.

INFORMATION SERVICES DIVISION - TELECOMMUNICATIONS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	16.14	16.39	16.14	16.14	(0.25)
Personal Service	\$ 472,167	\$ 471,723	\$ 482,801	\$ 482,941	2.3
Operating Expense	5,295,968	5,586,564	5,215,820	5,308,255	(3.3)
Equipment	58,220	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$5,826,355	\$6,058,287	\$5,698,621	\$5,791,196	(3.4)
Non-Operating Costs	1,764,673	1,797,236	1,758,236	1,754,398	(1.4)
Total Expenditures	<u>\$7,591,028</u>	<u>\$7,855,523</u>	<u>\$7,456,857</u>	<u>\$7,545,594</u>	<u>(2.9)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$7,591,028</u>	<u>\$7,855,523</u>	<u>\$7,456,857</u>	<u>\$7,545,594</u>	<u>(2.9)</u>

The Telecommunications Program of the Information Services Division is responsible for the operation of the state telephone system, designing and developing telecommunication systems, technical service and support, and planning and coordinating statewide telecommunications in general.

The current level budget provides a 2.9 percent decrease in the 1989 biennium from the 1987 biennium. Full-time equivalent positions decrease 0.25 FTE from fiscal 1987 to the 1989 biennium. Personal services are budgeted to increase 2.3 percent because the salaries are based on the fiscal 1987 pay matrix and because two positions were upgraded during fiscal 1986 and are reflected in the 1989 biennium costs. Operating expenses decrease 3.3 percent as one-time expenditures are not carried forward to the 1989 biennium and because long distance communication costs are expected to decrease slightly.

Non-operating costs decrease 1.4 percent. These costs are the lease purchase costs for the 10 year lease on the state's telephone system.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 8
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	16.39	16.14	0.25
Personal Service	\$ 471,090	\$ 472,167	\$ (1,077)
Operating Expense	5,516,574	5,295,968	220,606
Equipment	-0-	58,220	(58,220)
Total Operating Costs	\$5,987,664	\$5,826,355	\$161,309
Non-Operating Costs	1,789,736	1,764,673	25,063
Total Exp. and Funding	<u>\$7,777,400</u>	<u>\$7,591,028</u>	<u>\$186,372</u>

Fiscal 1986 expenditures were \$186,372 less than the appropriation. Personal services expenditures exceeded the appropriation even though FTE decreased 0.25 FTE because of two position upgrades and termination payout on an employee. Operating expenses were \$220,606 less than authorized. Savings came in the contracted services and communications cost categories. Most of the contracted services savings was the result of spending \$133,864 of the \$200,000 biennial appropriation for the long term transmission project. The agency spent \$159,214 less on communication costs than authorized.

Equipment expenditures were \$58,220 greater than authorized. Approximately two-thirds of this overexpenditure was spent on computer hardware and software not specifically authorized by the 1985 legislature.

Current Level Adjustments

The current level budget funds 16.14 FTE from the fiscal 1987 salary matrix with an adjustment for 4 percent vacancy savings. Legislative audit fees are included in fiscal 1988 at \$14,669. Ten thousand dollars was added in fiscal 1988 only for computer development on the agency's new billing system. Long distance communication costs were reduced \$152,000 in fiscal 1988 and \$139,000 in fiscal 1989 as the agency expects costs to decrease under the digital network configuration. Funds for the lease purchase are included at \$1,758,236 in fiscal 1988 and \$1,754,398 in fiscal 1989.

GENERAL SERVICES PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	49.75	48.75	48.00	48.00	(0.75)
Personal Service	\$1,016,203	\$1,048,208	\$1,047,613	\$1,049,312	1.57
Operating Expense	2,172,758	1,967,199	2,065,093	2,170,986	2.33
Equipment	8,636	-0-	5,150	-0-	(40.36)
Total Operating Costs	\$3,197,597	\$3,015,407	\$3,117,856	\$3,220,298	2.01
Non-Operating Costs	148,390	147,685	568,998	586,765	290.36
Total Expenditures	<u>\$3,345,987</u>	<u>\$3,163,092</u>	<u>\$3,686,854</u>	<u>\$3,807,063</u>	<u>(15.13)</u>
Fund Sources					
General Fund	\$ 434,694	\$ 527,912	\$ 565,240	\$ 582,927	19.28
Other Funds	2,911,293	2,635,180	3,121,614	3,224,136	14.41
Total Funds	<u>\$3,345,987</u>	<u>\$3,163,092</u>	<u>\$3,686,854</u>	<u>\$3,807,063</u>	<u>15.13</u>
ISSUES:					
	- - - - - Fiscal 1988 - - - - -		- - - - - Fiscal 1989 - - - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. Common Area Allocation					
Option A:	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
Option B:	(54,920)	54,920	(56,833)	56,833	
Option C:	(178,569)	178,569	(184,787)	184,787	
2. Vacant Space					
Option A:	(69,867)	69,867	(72,817)	72,817	

The General Services Division provides maintenance, janitorial, and security services for 36 buildings with a total of 1,173,198 square feet located primarily in the capitol complex.

The current level budget provides a 15.1 percent increase in the 1989 biennium from the 1987 biennium. Non-operating costs increase 290.4 percent because accounting entity transfers through administrative appropriation authority in the 1987 biennium are included for legislative authorization in the 1989 biennium. To comply with generally accepted accounting principles, the department issued a management memo which requires any non-proprietary fund revenue used to support a proprietary fund be transferred into the proprietary fund. Since general fund and capitol building special revenue supports the general services budget, it is necessary to transfer these funds into the proprietary fund, and all operating costs be paid from the proprietary fund.

General fund will increase 19.3 percent in the current level budget because general services division did not spend all of its general fund appropriation in fiscal 1986. This is discussed following Table 9.

Other funds include \$58,801 each year from the capitol building account for use on capitol building maintenance, \$60,000 each year from direct reimbursement from state agencies for special projects performed by general services, \$2,433,815 in fiscal 1988 and \$2,518,570 in fiscal 1989 of proprietary funds which receives its revenue from the rental rates assessed state agencies in the capitol complex, and \$568,998 in fiscal 1988 and \$586,765 in fiscal 1989 of proprietary fund authority for the general fund and capital projects fund transfer into the proprietary fund.

The office space square footage rates resulting from the current level budget is \$2.79 per square foot in fiscal 1988 and \$2.89 in fiscal 1989.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 9 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	49.75	49.75	0.00
Personal Service	\$1,047,946	\$1,016,203	\$ 31,743
Operating Expense	1,910,905	1,798,534	112,371
Equipment	<u>10,200</u>	<u>8,636</u>	<u>1,564</u>
Total Operating Costs	\$2,969,051	\$2,823,373	\$ 145,678
Non-Operating Costs	<u>148,390</u>	<u>148,390</u>	<u>-0-</u>
Total Expenditures	<u>\$3,117,441</u>	<u>\$2,971,763</u>	<u>\$ 145,678</u>
<u>Funding</u>			
General Fund	\$ 541,336	\$ 434,694	\$ 106,642
Proprietary Funds	2,520,749	2,516,460	4,289
Other	<u>55,356</u>	<u>20,609</u>	<u>34,747</u>
Total Funds	<u>\$3,117,441</u>	<u>\$2,971,763</u>	<u>\$ 145,678</u>
<u>Additions</u>			
Admin. Appropriation	<u>\$ 510,768</u>	<u>\$ 374,224</u>	<u>\$ 136,544</u>

Fiscal 1986 expenditures were \$145,678 less than the legislative appropriation with savings occurring in all major expenditure areas. The program realized \$31,743 savings in personal services due to employee turnover. This was in addition to the \$22,488 vacancy savings budgeted for this program.

Total operating savings was \$112,371. The majority of this savings occurred in contracted janitorial services, audit costs, supplies and materials, and buildings and grounds maintenance.

Equipment expenditures were \$1,564 less than appropriated due primarily to security equipment authorized by the 1985 legislature not being purchased.

General fund expenditures were \$106,642 less than authorized by the legislature because the agency returned general fund at fiscal year end rather than reduce the rental rate or rebate rental payments which would have had the effect of reducing the amount of proprietary fund collected in fiscal 1986.

This was also the case with the capital projects fund, classified in Table 9 as other funds. The 1985 legislature authorized the general services division to spend up to \$55,356 from the capitol building account in the capital projects fund for maintenance projects impacting the state capitol building. The division spent \$34,747 less than authorized and returned that amount to the capitol building account at fiscal year end.

Proprietary fund expenditures were \$4,289 less than authorized.

General Services Division received an administrative appropriation in fiscal 1986 for \$510,768 to accommodate the requirements of management memo 2-86-5. This memo requires non-proprietary funds to be transferred to the proprietary fund so that all expenditures come from the proprietary fund. The division expended \$374,224 of this administrative appropriation which reflects the amount of general fund and capitol building funds transferred to the proprietary fund in fiscal 1986.

ISSUE 1: COMMON AREA ALLOCATIONS

A portion of the 1,173,198 square feet within the capitol complex for which the general services division is responsible includes areas not allocated to specific state agencies and which are considered "common areas". The third and fourth floors of the state capitol building and the Original Governor's Mansion are examples of common areas. The cost of maintaining this common area space is borne by the general fund. The 1985 legislature determined that 19 percent of the total square footage maintained by general services was common area and assessed the general fund 19 percent of the costs not recovered from state agency rental payments or other sources.

In fiscal 1986, general services division spent only \$380,336 general fund for rent and maintenance expenditures, or approximately 12 percent of total expenditures. The 7 percent difference was spent from the proprietary fund which receives its funding from state agency rental payments funded from several fund types, including general fund, state special revenue, federal funds, and other proprietary funds.

The 1989 biennium rental rate proposed by the Office of Budget and Program Planning allocates 12 percent of the costs to the general fund because of the way the general fund was spent in fiscal 1986 and to save general fund costs. There is no longer any relationship between the amount of general fund allocated to pay for the common area and the actual amount of common area in the capitol complex. If the goal is to save general fund, why not eliminate the common area and charge back the cost of this space to all agencies?

The Legislative Fiscal Analyst calculates that there is 17.33 percent common area in the 1989 biennium. This is down from the amount calculated in the 1985 session because of new space added since the calculation was last made, and because the LFA transferred the executive residence to the Governor's Office budget. The LFA calculation maintains the relationship of allocating general fund to pay for common space on the same basis as the actual amount of common area in the capitol complex.

Table 10 illustrates the differences in the calculated rate for each year of the 1989 biennium and the total general fund impact in the 1989 biennium using the LFA current level budget, and three levels of general fund allocation. As shown in the table, as the general fund allocation decreases, the rental rate increases, and the overall general fund savings increases.

Table 10
Rates and General Fund Impact Resulting
From Various General Fund Allocations
1989 Biennium*

	<u>0 Percent</u>	<u>12 Percent</u>	<u>17.33 Percent</u>
Fiscal 1988 Rate	\$3.39	\$2.97	\$2.79
Fiscal 1989 Rate	3.51	3.08	2.89
Total General Fund Impact to LFA Current Level Budget	<u>\$(363,356)</u>	<u>\$(111,753)</u>	<u>\$ -0-</u>

*Rates and general fund impact based on LFA current level budget.

ISSUE 1: SHOULD THE LEGISLATURE CHANGE THE BASIS FOR ALLOCATING COMMON SPACE COSTS TO THE GENERAL FUND IN THE 1989 BIENNIUM?

- Option A: Use the same methodology used in the 1985 session and apply it to the LFA current level budget. This would reduce the proposed OBPP rates to \$2.79 per square foot in fiscal 1988 and \$2.89 per square foot in fiscal 1989.
- Option B: Use the methodology proposed by OBPP and apply it to the LFA current level budget. This would increase the LFA current level rental rates to \$2.97 in fiscal 1988 and \$3.08 in fiscal 1989 and reduce the LFA current level general fund cost by \$111,753 in the 1989 biennium.
- Option C: Discontinue allocating common area costs to the general fund. This would increase the proposed LFA current level rates to \$3.39 per square foot in fiscal 1988 and \$3.51 per square foot in fiscal 1989. The general fund impact would be a savings of \$363,356 from the LFA current level budget.

ISSUE 2: VACANT SPACE

In the 1985 session, the legislature did not include vacant office and warehouse space in the calculation of the rental rate per square foot assessed each state agency in the capitol complex. The rate proposed by OBPP also does not include vacant space in its calculation. The rationale for this approach is that general services still has to provide some services to unoccupied space, such as heat; therefore, the cost of unoccupied space has to be borne by occupied space.

There are two fiscal impacts resulting from this method of calculating the rental rate. These are discussed in this issue.

The first impact is that the rate per square foot assessed state agencies increases when vacant space is not included. This is a function of the formula: Total Costs : Square Footage = Rate Per Square Foot.

Assuming total costs remain the same, increasing the square footage will reduce the calculated rate and the total general fund used to fund the estimated costs. Conversely, decreasing the square footage will increase the calculated rate and the total general fund used to fund the estimated costs. The fiscal impact in the 1989 biennium of not including the vacant space in the square footage is shown below in Table 11.

Table 11
Rate and General Fund Change Resulting from Vacant Space
Inclusion/Exclusion in Rate Calculation
1989 Biennium*

	<u>Vacant Space Included</u>	<u>Vacant Space Excluded</u>
Fiscal 1988 Rate	\$2.59	\$2.79
Fiscal 1989 Rate	\$2.67	\$2.89
General Fund Impact to LFA Current Level Budget	<u>\$(142,684)</u>	<u>\$-0-</u>

*Rate and general fund impact calculated with LFA current level budget.

The second impact is that the department of administration has no incentive to fill the vacant space because all costs of vacant space are recovered through the rate assessed state agencies. The cost of this lost incentive appears in higher rent paid to private owners.

For example, in the 1987 biennium Information Services Division moved its data entry personnel into private space owned by the Teacher's Retirement System. The rental rate in this space is \$7.00 per square foot and the space occupied is 2,285 square feet. The additional cost to the state in the 1989 biennium will be \$17,891 using OBPP rates. The department of administration provided information during the budget development process which indicates there is 25,120 square feet of vacant office space within the capitol complex. Although not all this space is grouped to-

gether in the same building, the information indicated there were two buildings which contained sufficient space to accommodate this space requirement.

ISSUE 2: SHOULD THE LEGISLATURE INCLUDE THE VACANT SPACE IN THE
CALCULATION OF RENTAL RATE ASSESSED STATE AGENCIES?

Option A: Change the rent calculation methodology to include vacant space in total square footage for a general fund savings of \$142,684.

Option B: Maintain the status quo.

PURCHASING DIVISION -- PURCHASING PROGRAM

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	16.25	15.50	15.00	15.00	(0.50)
Personal Service	\$409,059	\$356,976	\$373,342	\$372,902	(2.6)
Operating Expense	83,677	98,980	89,127	89,931	(2.0)
Equipment	2,082	850	-0-	-0-	(100.0)
Total Expenditures	<u>\$494,818</u>	<u>\$456,806</u>	<u>\$462,469</u>	<u>\$462,833</u>	<u>(2.3)</u>
<u>Fund Sources</u>					
General Fund	<u>\$494,818</u>	<u>\$456,806</u>	<u>\$462,469</u>	<u>\$462,833</u>	<u>(2.3)</u>

The Purchasing Division includes the Purchasing Bureau and the Property and Supply Bureau. Each bureau is presented separately in the Budget Analysis.

The Purchasing Bureau investigates possible sources for products, determines alternate product possibilities, prepares specifications, and enforces the terms and conditions outlined in purchase orders issued. The bureau ensures compliance with purchasing law and rule for agencies with delegated purchasing authority and provides technical assistance on agency purchases.

The current level budget results in a 2.3 percent decrease from the 1987 biennium to the 1989 biennium. A 0.5 FTE management analyst deleted by the agency to address the fiscal 1987 reductions was also deleted from current level in the 1989 biennium. Personal services decrease 2.6 percent and operating expenses decrease 2 percent. The purchasing bureau is funded from the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 13
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	16.50	16.25	0.25
Personal Service	\$396,736	\$409,059	\$(12,323)
Operating Expense	112,645	83,677	28,968
Equipment	850	2,082	(1,232)
Total Exp. and Gen. Fund	<u>\$510,231</u>	<u>\$494,818</u>	<u>\$15,413</u>

The fiscal 1986 expenditures were \$15,413 less than the appropriation. Personal services expenditures were \$12,323 more than appropriated, due primarily to position upgrades. Operating expenditures were \$28,968 less than appropriated with the major cost savings in contracted secretarial services, computer processing and system development fees, microfilm services, and education and training fees. Supplies and communication expenses were less than anticipated while travel and repair costs were higher than expected.

Current Level Adjustments

The current level budget allowed the following major adjustments: (1) \$178 each year for increased insurance costs; (2) \$1,485 each year for increased maintenance costs on computer equipment; and (3) \$2,400 in fiscal 1988 and \$2,640 in fiscal 1989 for office automation subscription fees, a new fee assessed by the Information Services Division for agencies which have personal computers. The fee will be used to support the Information Center in the Information Services Division.

PURCHASING DIVISION -- PROPERTY AND SUPPLY BUREAU

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	16.00	16.00	16.00	16.00	0.00
Personal Service	\$ 343,848	\$ 378,202	\$ 364,150	\$ 364,099	0.9
Operating Expense	2,315,468	2,998,961	2,529,601	2,523,713	(4.9)
Equipment	85,469	60,000	-0-	-0-	(100.0)
Total Expenditures	<u>\$2,744,785</u>	<u>\$3,437,163</u>	<u>\$2,893,751</u>	<u>\$2,887,812</u>	<u>(6.5)</u>
<u>Fund Sources</u>					
Proprietary Funds	<u>\$2,744,785</u>	<u>\$3,437,163</u>	<u>\$2,893,751</u>	<u>\$2,887,812</u>	<u>(6.5)</u>

The Property and Supply Bureau provides centralized purchasing and distribution of office and janitorial supplies for state agencies. The bureau is responsible for the Surplus Property Program which disposes of property no longer needed by an agency.

The current level budget provides a 6.5 percent decrease from the 1987 biennium to the 1989 biennium. Personal services increase 0.9 percent while operating expenditures are budgeted to decrease 4.9 percent.

The Property and Supply Bureau is funded from proprietary funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 14 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	16.00	16.00	0.00
Personal Service	\$ 361,467	\$ 343,848	\$ 17,619
Operating Expense	3,145,161	2,315,468	829,693
Equipment	42,000	85,469	(43,469)
Total Exp. and Funding	<u>\$3,548,628</u>	<u>\$2,744,785</u>	<u>\$803,843</u>

The fiscal 1986 expenditures were \$803,843 less than the appropriation. The agency expended \$17,619 less for personal services than budgeted. This was caused by two position downgrades and vacancy savings. Operating expenses were \$829,693 less than budgeted with the difference occurring primarily in goods for resale. The agency was budgeted \$50,000 in fiscal 1986 to purchase a truck as requested by the agency because its vehicle was claimed by the agency to be unsafe. The agency actually expended \$85,469 on computer and office equipment. The agency spent \$4,500 to repair its truck and continues to use the vehicle for its operation.

Current Level Adjustments

The current level budget reduces a 1.0 FTE warehouse worker from the original appropriation of 17.0 FTE as the agency had deleted this position in fiscal 1987 to compensate for fiscal 1987 reductions.

Operating expense increases were provided for higher insurance costs, payroll service fees, utility expenses for heating a building used for surplus sales, and computer maintenance costs. In addition, the cost of hooking-up one personal computer to the mainframe in order to utilize the state mainframe network system was added to base year expenditures. The current level budget allows for 10 percent growth in goods for resale. The agency withdrew its request for equipment.

MAIL AND MANAGEMENT PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	9.25	9.25	9.25	9.25	0.00
Personal Service	\$174,953	\$ 166,078	\$ 164,362	\$ 165,020	(3.4)
Operating Expense	791,241	922,941	952,695	1,048,905	16.8
Equipment	3,254	8,875	-0-	6,195	(48.9)
Total Operating Costs	\$969,448	\$1,097,894	\$1,117,057	\$1,220,120	13.1
Non-Operating Costs	819	-0-	3,276	2,457	600.0
Total Expenditures	<u>\$970,267</u>	<u>\$1,097,894</u>	<u>\$1,120,333</u>	<u>\$1,222,577</u>	<u>13.3</u>
Fund Sources					
Proprietary Funds	<u>\$970,267</u>	<u>\$1,097,894</u>	<u>\$1,120,333</u>	<u>\$1,222,577</u>	<u>13.3</u>
- - - - - Fiscal 1988 - - - - - ISSUES: General Fund Other Funds - - - - - Fiscal 1989 - - - - - General Fund Other Funds					
1. Administrative Costs	\$ -0-	\$13,283	\$ -0-	\$13,283	
2. Revenue Overcollection	(142,615)	-0-	(155,894)	-0-	

The Mail and Management Program serves as the state's central mail operation. Both outgoing U.S. mail and inter-office mail are routed and delivered by this program for a majority of Helena-based agencies.

The current level budget provides a 13.3 percent increase in the 1989 biennium from the 1987 biennium. Personal services reflect a 3.4 percent biennial decrease as the program experienced very little vacancy savings in fiscal 1986 and because one part-time position was worked full time. Four percent vacancy savings is included in the current level budget.

Operating expenses increase 16.8 percent from the 1987 biennium to the 1989 biennium primarily as a result of an anticipated 11 percent increase each year in the volume of mail sent by user agencies.

Non-operating costs increase 600 percent from the 1987 biennium. Costs in this category include lease purchase payments for a mail processing machine acquired in fiscal 1986 on a lease purchase contract.

This program is funded by three sources. Each state agency is assessed a fee for mail sorting and delivery based on its volume of mail. This is known as "deadhead" mail. The second revenue source is the overhead cost collected on postage for outgoing U.S. mail. In the 1989 biennium, the program is proposing to charge 17.5 percent overhead on postage costs. The third revenue source is a contract with the U.S. Postal Service which covers the costs of normal operating hours of the Capitol post office and other services provided for the U.S. Post Office. All revenue is deposited to a proprietary fund from which all program costs are paid.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 15
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.25	9.25	0.00
Personal Service	\$165,314	\$174,953	\$(9,639)
Operating Expense	813,759	791,241	22,518
Equipment	7,122	3,254	3,868
Total Operating Costs	\$986,195	\$969,448	\$16,747
Non-Operating Costs	-0-	819	(819)
Total Costs and Funding	<u>\$986,195</u>	<u>\$970,267</u>	<u>\$15,928</u>

The fiscal 1986 expenditures for the mail program were \$15,928 less than the appropriation. Personal services were overspent \$9,639 because the program experienced very little vacancy savings and spent approximately \$6,500 more on salaries and benefits than appropriated. Most of the additional \$6,500 was caused by a 0.5 FTE working in a full-time capacity all year.

Operating expenses were \$22,518 less than appropriated, with most of the savings coming in the communications, rent, and general expense categories.

Equipment purchases were \$3,868 less than appropriated. The agency did not purchase outright a mail processor as originally requested and approved by the legislature. It did purchase mail processor software and a bundling machine.

A mail processor was purchased on a lease purchase contract which explains the \$819 non-operating cost variance. The interest paid during the three year lease purchase will add \$3,060 to the total purchase price.

ISSUE 1: ADMINISTRATIVE COSTS

The agency is requesting \$13,283 each year for administrative costs to reimburse the general services division for the time and effort spent on providing billing and accounting services for the mail program.

Although the costs are requested in the mail program, the \$13,283 does not appear as a revenue source to offset costs in the general services program budget request. All of general services costs are recovered through general fund, rental rates, special projects, or the capitol building fund. Since all of general services' costs are budgeted to be recovered without consideration of this administrative charge to the mail program, there does not appear to be a need for general services to assess the administrative charge on the mail program.

Eliminating this administrative charge from the mail program budget would save approximately \$14,000 of general fund in the 1989 biennium. This savings would come in the form of lower deadhead rates or a lower administrative overhead rate assessed on all outgoing U.S. mail.

The executive includes this administrative cost in its recommendation; the Legislative Fiscal Analyst excludes this cost.

Option A: Approve the LFA current level budget and direct the agency to pass on the cost savings to agencies in the form of either lower deadhead rates or a lower administrative overhead rate.

Option B: Keep the cost in the mail program budget but include this reimbursement to general services as a revenue in that program, thereby reducing the rental rate charged to agencies.

Option C: Take no action.

ISSUE 2: REVENUE OVERCOLLECTION

The projected collections from the three revenue sources exceed LFA current level costs by \$142,615 in fiscal 1988 and \$155,894 in fiscal 1989. This is based on the anticipated revenue from "deadhead" fees, overhead rate collections from outgoing U.S. mail, and the U.S. Postal Service contract compared to the current level budget. This is detailed in Table 16.

Table 16
Calculation of Excess Revenue in Mail Program
1989 Biennium

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
Estimated Postage	\$ 805,222	\$ 893,796	\$ 992,114
UPS	<u>20,774</u>	<u>20,774</u>	<u>20,774</u>
Total Communications Revenue	\$ 825,996	\$ 914,570	\$1,012,888
Overhead (17.5%)	144,549	160,050	177,255
Messenger	149,352	149,352	149,352
USPS Contract	<u>38,976</u>	<u>38,976</u>	<u>38,976</u>
Total Est. Revenue	\$1,158,873	\$1,262,948	\$1,378,471
LFA Current Level Cost	\$1,097,894	\$1,120,333	\$1,222,577
Excess Revenue Over Costs	<u>\$___60,979</u>	<u>\$___142,615</u>	<u>\$___155,894</u>

The revenue from the U.S. Postal Service is from a fixed contract so the agency does not need to collect this from the deadhead fee or overhead rate. However, the deadhead fee and the overhead rate proposed by the agency collect \$298,509 more revenue in the 1989 biennium than necessary to operate the program.

The deadhead fee or the overhead rate could be reduced significantly and still enable the program to operate at the current level. If the deadhead fee were reduced to the extent of the overcollection, the fee would drop by 95 percent in fiscal 1988 and be eliminated in fiscal 1989. If the overhead rate were reduced to the extent of the overcollection, the rate could be reduced from 17.5 percent in fiscal 1987 to 1.9 percent in fiscal 1988 and 2.1 percent in fiscal 1989.

The general fund impact of the revenue overcollection is approximately \$83,850 in the 1989 biennium.

Option A: Direct the Department of Administration to reduce either the proposed deadhead fee or overhead rate for the 1989 biennium so that the expected revenue collection equals the legislatively approved budget.

Option B: Take no action.

TREASURY CENTRAL SERVICES					
<u>Budget Item</u>	Actual Fiscal <u>1986</u>	Appropriated Fiscal <u>1987</u>	- - Current Level - - Fiscal <u>1988</u>	Fiscal <u>1989</u>	% Change 1987-89 Biennium
F.T.E.	14.75	15.00	14.50	14.50	(0.50)
Personal Service	\$373,003	\$380,133	\$386,160	\$386,206	2.6
Operating Expense	58,434	74,794	61,918	52,879	(13.8)
Equipment	<u>9,638</u>	<u>123</u>	<u>-0-</u>	<u>-0-</u>	(100.0)
Total Expenditures	<u>\$441,075</u>	<u>\$455,050</u>	<u>\$448,078</u>	<u>\$439,085</u>	<u>1.0</u>
<u>Fund Sources</u>					
General Fund	\$413,184	\$428,384	\$417,114	\$408,176	(1.9)
Proprietary Funds	<u>27,891</u>	<u>26,666</u>	<u>30,964</u>	<u>30,909</u>	<u>13.4</u>
Total Funds	<u>\$441,075</u>	<u>\$455,050</u>	<u>\$448,078</u>	<u>\$439,085</u>	<u>(1.0)</u>

The Treasury Central Services Division is divided into two functions. The central services function contains central budget and personnel functions for the department. The treasury function is the state's central bank. It receives and disburses funds and monitors the records of accounts for all approved commercial depositories throughout the state.

The current level budget provides a 1 percent total decrease from the 1987 biennium to the 1989 biennium. FTE was reduced 0.5 in the 1989 biennium to reflect the agency's reduction for the fiscal 1987 pay plan shortfall.

Personal services increase 2.6 percent from the 1987 biennium to the 1989 biennium due to several factors. Fiscal 1986 expenditures were \$6,510 less than budgeted after vacancy savings and the fiscal 1987 appropriation reflects the \$12,175

pay plan shortfall. The 1989 biennium expenditures reflect 14.5 FTE funded from the fiscal 1987 pay matrix. Additionally, the 0.5 FTE reduction between fiscal 1987 authorized and the 1989 biennium produced only a \$10,000 savings. Finally, the agency made a 1.0 FTE into two 0.5 FTE positions, each receiving health insurance benefits. This added \$2,760 to the personal services cost in the 1989 biennium.

Current level operating expenses decrease 13.8 percent from the 1987 biennium to the 1989 biennium primarily as audit costs will decrease from \$36,800 in the 1987 biennium to \$9,428 in the 1989 biennium. This \$27,372 savings is offset approximately \$6,500 for increased costs for insurance, maintenance contracts, and computer communication costs.

This program is funded from general fund and investment division proprietary funds. General fund decreases 1.9 percent. The proprietary fund increases 13.4 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 16
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	15.00	14.75	0.25
Personal Service	\$379,513	\$373,003	\$ 6,510
Operating Expense	85,746	58,434	27,312
Equipment	<u>2,823</u>	<u>9,638</u>	<u>(6,815)</u>
Total Expenditures	<u>\$468,082</u>	<u>\$441,075</u>	<u>\$27,007=</u>
<u>Funding</u>			
General Fund	\$440,156	\$413,184	\$26,972
Proprietary Funds	<u>27,926</u>	<u>27,891</u>	<u>35</u>
Total Funds	<u>\$468,082</u>	<u>\$441,075</u>	<u>\$27,007=</u>

Fiscal 1986 expenditures were \$27,007 less than the appropriation. Personal services were \$6,510 less than appropriated primarily due to an accounting tech II position, originally budgeted at 1.0 FTE, being reduced to 0.75 FTE via a program transfer, and the remaining 0.75 FTE being filled only one-half the time.

Operating expenses were \$27,312 less than appropriated with the greatest savings coming in audit fees. The agency spent only \$12,567 of a \$36,800 audit appropriation.

Equipment expenditures exceeded the fiscal 1986 appropriation by \$6,815 due to the agency purchasing a personal computer and related software not specifically authorized by the legislature.

Current Level Adjustments

The current level budget applies a four percent vacancy savings factor to personal services for 14.5 FTE. Legislative Auditor fees of \$9,428 are included in fiscal 1988 only. Insurance fees paid to the department's tort claims division increase \$3,729 because the vault insurance policy is now paid annually, rather than on a three-year contract which was last paid in fiscal 1985. Additional fees for computer charges, totaling \$1,560 each year, were added to the current level budget.

BOARD OF INVESTMENTS

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	19.00	18.50	16.00	16.00	(2.50)
Personal Service	\$526,145	\$552,477	\$522,289	\$522,307	(3.2)
Operating Expense	283,475	217,872	301,530	227,363	5.5
Equipment	3,575	7,200	3,500	-0-	(67.5)
Total Operating Costs	\$813,195	\$777,549	\$827,319	\$749,670	(0.9)
Non-Operating Costs	7,021	-0-	9,190	3,924	86.8
Total Expenditures	\$820,216	\$777,549	\$836,509	\$753,594	(0.5)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
Proprietary Funds	\$820,216	\$777,549	\$836,509	\$753,594	(0.5)
	=====	=====	=====	=====	=====

The Board of Investments has the authority to invest state funds in accordance with Article VII, Section 13 of the Montana Constitution and Section 17-6-201, MCA. The investment staff initiates the investment process for board approval and accounts for those investments.

The current level budget provides a 0.4 percent decrease from the 1987 biennium to the 1989 biennium. Full-time equivalent positions decrease by 2.5 FTE. Personal services decreases 3.2 percent while operating expenditures are budgeted to increase 5.5 percent. The relatively large operating expense increase is due primarily to fiscal 1988 audit costs being \$42,500 higher than the fiscal 1986 audit expenditure. Equipment expenditures decrease 67.5 percent. Non-operating costs include lease purchase payments for the board's telephone system and computer equipment. This program is funded from investment earnings.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 17
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	19.00	19.00	0.00
Personal Service	\$574,298	\$526,145	\$ 48,153
Operating Expense	233,913	283,475	(49,562)
Equipment	12,770	3,575	9,195
Total Operating Costs	\$820,981	\$813,195	\$ 7,786
Non-Operating Costs	-0-	7,021	(7,021)
Total Exp. and Funding	<u>\$820,981</u>	<u>\$820,216</u>	<u>\$=====765=</u>

Fiscal 1986 total expenditures were \$765 less than the appropriation. Personal services were \$48,153 less than budgeted because two positions were vacant all year and one position was filled less than 50 percent. Operating expenditures were \$49,562 greater than the appropriation. Cost overruns were experienced in contracted services (computer charges and printing costs), communications, and repair and maintenance. Operating expense savings were possible in supplies and materials, travel, and rent. Equipment costs were \$9,195 less than appropriated primarily because the lease purchase commitment was appropriated as an equipment expenditure but recorded as a debt service expenditure.

Current Level Adjustments

The current level budget removed a 1.0 FTE security analyst because the position has been vacant all of fiscal years 1985, 1986 and was still vacant as of October 10, 1986. The 2.0 FTE removed by the agency to respond to the fiscal 1987 reductions were also deleted in the 1989 biennium. Legislative audit costs of \$72,000 were included in fiscal 1988 only. One-time expenditures for relocation and remodeling expenses totaling \$10,709 were removed from the fiscal 1986 base. Increases totaling \$1,651 were included for higher insurance, payroll, and maintenance costs. Equipment of \$3,500 in fiscal 1988 is for word processing equipment.

PERSONNEL DIVISION -- PERSONNEL PROGRAM

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	9.50	29.00	27.50	27.50	(1.50)
Personal Service	\$749,698	\$758,629	\$747,757	\$746,899	(0.9)
Operating Expense	129,241	141,083	122,726	123,871	(8.8)
Equipment	10,979	-0-	-0-	-0-	(100.0)
Total Expenditures	\$889,918	\$899,712	\$870,483	\$870,770	(2.7)
<u>Fund Sources</u>					
General Fund	\$889,010	\$899,712	\$870,483	\$870,770	(2.7)
Other	908	-0-	-0-	-0-	(100.0)
Total Funds	\$889,918	\$899,712	\$870,483	\$870,770	(2.7)
- - - - - Fiscal 1988 - - - - -					
- - - - - Fiscal 1989 - - - - -					
ISSUES:	General Fund	Other Funds	General Fund	Other Funds	
1. FTE Transfer	\$11,200	\$-0-	\$11,200	\$-0-	

The Personnel Program provides centralized personnel services to state agencies including classification, employee relations, labor relations, and development of personnel policy.

The current level budget provides a 2.7 percent decrease from the 1987 biennium to the 1989 biennium. Personal services decrease 0.9 percent and FTE show a net decrease of 1.5 from the fiscal 1987 level. The FTE changes include decreases of a 0.5 FTE personnel specialist III, a 1.0 FTE personnel tech II, and a 0.25 FTE secretary II. This 1.75 FTE decrease is offset by a 0.25 FTE increase for a personnel specialist III position.

Operating expenditures decrease 8.8 percent as base operating expenditures were reduced to reflect some one-time costs incurred in fiscal 1986.

This program is 100 percent general funded.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 18
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	29.00	29.50	(0.50)
Personal Service	\$749,266	\$749,698	\$ (432)
Operating Expense	140,152	129,241	10,911
Equipment	-0-	10,979	(10,979)
Total Expenditures	<u>\$889,418</u>	<u>\$889,918</u>	<u>\$___(500)</u>
<u>Funding</u>			
General Fund	\$889,418	\$889,010	\$ 408
Proprietary Funds	-0-	908	(908)
Total Funds	<u>\$889,418</u>	<u>\$889,918</u>	<u>\$___(500)</u>

Fiscal 1986 expenditures exceed the appropriation by \$500 because the agency transferred \$908 proprietary fund authority into the program during the year to enable reimbursement of their legal staff from the tort claims division.

Operating expenditures were \$10,911 less than appropriated. Most of the savings occurred in supplies and materials and rent.

Equipment expenditures were \$10,979 more than appropriated. The agency used the operating expenditure savings to purchase computer hardware and software.

Current Level Adjustments

The current level budget funds 27.5 FTE from the fiscal 1987 salary matrix with a four percent vacancy savings adjustment. The State Labor Relations Bureau Chief position was funded 50 percent from this program and 50 percent from the employee benefits program. The agency had requested this position be funded 75 percent from this program. This is discussed in the current level issue section.

Current level increases were provided for increased insurance, payroll fees, messenger service, and communication line charges for one personal computer and one terminal. A \$1,172 decrease was applied to actual fiscal 1986 secretarial service expenditures as these expenditures have increased significantly in the last three years. Contracted services include \$2,600 each year for a classification consultant, \$200 each year for the services of the Professional Development Center for forms design and layout, and \$200 each year for independent legal assistance. This represents a \$9,495 base operating cost decrease.

ISSUE 1: FTE TRANSFER

The 1985 legislature budgeted the state labor relations chief's position one-half from the personnel program (general fund) and one-half from the employee benefits

program (proprietary fund). The agency actually paid the position 75 percent from the personnel program as there was sufficient savings from two position downgrades and employee turnover to fund the additional 0.25 FTE.

The agency is requesting the position be funded 0.75 from the personnel program and 0.25 from the group benefits program in the 1989 biennium. This impacts the general fund approximately \$11,200 each year of the 1989 biennium.

The LFA current level budget funds this position 0.5 from the personnel program and 0.5 from the employee benefits program.

Option A: Approve the request to fund this position 0.75 from the personnel program and 0.25 from the employee benefits program. This will increase general fund \$11,200 each year of the 1989 biennium over the LFA current level budget.

Option B: Accept the LFA current level personal services budget.

PERSONNEL DIVISION -- EMPLOYEE BENEFITS PROGRAM

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	5.50	5.50	6.50	6.50	1.00
Personal Service	\$135,821	\$132,447	\$171,940	\$171,866	28.2
Operating Expense	80,245	106,173	90,849	92,456	(1.7)
Equipment	6,077	500	541	-0-	(91.8)
Total Expenditures	\$222,143	\$239,120	\$263,330	\$264,322	14.4
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$ 30,515	\$ 35,823	\$ 31,530	\$ 34,030	(1.2)
Proprietary	191,628	203,297	231,800	230,292	17.0
Total Funds	\$222,143	\$239,120	\$263,330	\$264,322	14.4
	=====	=====	=====	=====	=====

The Employee Benefits Program is responsible for administration of the state's health insurance and employee benefits program.

The current level budget provides a 14.4 percent increase from the 1987 biennium to the 1989 biennium. One FTE was moved from the personnel program to the employee benefits program at an approximate \$35,500 additional cost to this program each year of the 1989 biennium. This FTE transfer accounts for most of the 28.2 percent personal services increase in the 1989 biennium.

Operating expenditures decrease 1.7 percent from the 1987 biennium to the 1989 biennium due primarily to audit costs of \$17,950 not being recorded in fiscal 1986 while being included at \$20,000 each year of the 1989 biennium.

This program is funded from general fund and interest earnings from the self-insurance fund. General fund supports 1.0 FTE and operating expenses related to compensation and the biennial salary survey. General fund decreases 1.2 percent from the 1987 biennium to the 1989 biennium. The funding from interest earnings increases 17 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 19
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.50	5.50	0.00
Personal Service	\$132,061	\$135,821	\$(3,760)
Operating Expense	111,864	80,245	31,619
Equipment	535	6,077	(5,542)
Total Expenditures	<u>\$244,460</u>	<u>\$222,143</u>	<u>\$22,317</u>
<u>Funding</u>			
General Fund	\$ 34,511	\$ 30,515	\$ 3,996
Proprietary Funds	209,949	191,628	18,321
Total Funds	<u>\$244,460</u>	<u>\$222,143</u>	<u>\$22,317</u>

Fiscal 1986 expenditures were \$22,317 less than appropriated. Personal services were \$3,760 higher than appropriated because of a position upgrade and the program experienced less vacancy savings than budgeted.

Operating expenses were \$31,619 less than appropriated. Major savings were possible in contracted services, supplies, travel, and repair and maintenance. Overages were experienced in communications, rent, and other costs. Other costs in fiscal 1986 included \$11,804 for the genetics program initiated by House Bill 430 of the 1985 legislature which requires 45 cents per state employee be transferred to the State Auditor's office.

Actual equipment expenditures exceeded the appropriation by \$5,542 because the agency purchased a personal computer in fiscal 1986 which was not anticipated by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 6.5 FTE budgeted from the fiscal 1987 salary matrix, with a 4 percent vacancy savings adjustment. Employee benefit audit

costs are included at \$20,000 each year of the 1989 biennium. Legislative audit costs are included at \$475 in fiscal 1988 only.

The biennial salary survey prepared in odd numbered years was provided a \$2,500 adjustment to printing and postage costs.

New federal legislation impacting the state's responsibility regarding employee benefit plans is estimated to increase this program's data processing and communication expenses in the 1989 biennium. Base adjustments totaling \$3,220 were provided in the current level budget to respond to the new legislation.

PERSONNEL DIVISION -- TRAINING PROGRAM					
Budget Item	Actual	Appropriated	-- Current Level --		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 92,534	\$ 87,606	\$ 91,321	\$ 91,374	1.4
Operating Expense	63,337	43,125	55,346	55,024	3.7
Equipment	4,712	-0-	200	200	(91.5)
Total Operating Costs	\$160,583	\$130,731	\$146,867	\$146,598	0.7
Non-Operating Costs	30,565	31,753	34,066	34,020	9.3
Total Expenditures	\$191,148 =====	\$162,484 =====	\$180,933 =====	\$180,618 =====	2.2 =====
Fund Sources					
General Fund	\$ 30,647	\$ 31,753	\$ 34,066	\$ 34,020	9.1
Proprietary	160,501	130,731	146,867	146,598	0.8
Total Funds	\$191,148 =====	\$162,484 =====	\$180,933 =====	\$180,618 =====	2.2 =====

The Training Program provides central coordination for general training activities throughout state government.

The current level budget provides a 2.2 percent increase from the 1987 biennium to the 1989 biennium. Personal services increase 1.4 percent. Operating expenses increase 3.7 percent due primarily to increases in the amount of funds allocated for outside training consultants. The increased operating expenses are funded from the proprietary fund.

Non-operating costs include the transfer of general fund into the proprietary fund. Generally accepted accounting principles have been interpreted to mean that all proprietary funded operations which receive non-proprietary fund support should transfer the non-proprietary fund into the proprietary fund and show all expenditures as coming from the proprietary fund. This has the effect of increasing the appropriation authority for the proprietary fund without any real increase in operating expenses.

The training program is funded from general fund and proprietary funds. General fund is used to support 1.0 FTE in the training program for the management training program. General fund increases 9.1 percent in the 1989 biennium because the salary the general fund pays is calculated from fiscal 1987 pay schedules for the 1989 biennium. General fund in the fiscal 1987 column reflects the fiscal 1986 pay matrix.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 20
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	3.00	3.00	0.00
Personal Service	\$ 87,434	\$ 92,534	\$ (5,100)
Operating Expense	46,228	62,635	(16,407)
Equipment	-0-	4,712	(4,712)
Total Expenditures	<u>\$133,662</u>	<u>\$159,881</u>	<u>\$ (26,219)</u>
<u>Funding</u>			
General Fund	\$ 31,556	\$ 30,647	\$ 909
Proprietary Funds	<u>102,106</u>	<u>129,234</u>	<u>(27,128)</u>
Total Funds	<u>\$133,662</u>	<u>\$159,881</u>	<u>\$ (26,219)</u>
<u>Additions:</u>			
Budget Amendments	<u>\$ 31,306</u>	<u>\$ 31,267</u>	<u>\$ -----39--</u>

Fiscal 1986 actual expenditures were \$26,219 greater than the legislative appropriation. This was possible because the agency transferred \$28,000 of appropriation authority to this program from other programs.

Personal services exceeded the appropriation by \$5,100, with \$3,400 due to no vacancy savings. A balance of \$1,700 remains unexplained. Operating expenses were \$16,407 greater than the appropriation caused primarily from outside training consultant costs being higher than anticipated. Equipment expenditures exceeded the appropriation by \$4,712 because the agency purchased a personal computer which was not anticipated by the 1985 legislature.

There was a balance of \$909 general fund in this program in fiscal 1986. Proprietary funds were overexpended by \$27,128.

Current Level Adjustments

The current level budget funds 3.0 FTE based on the fiscal 1987 pay matrix with a 4 percent vacancy savings adjustment. As noted above, training consultant expenditures were much higher than authorized; therefore, the current level budget reduced the authorization for training consultants to \$18,000 each year.

Increases were provided for increased insurance costs, payroll fees, messenger services, and audit fees. Office automation subscription fees of \$480 each year was allowed.

Software purchases at \$200 each year were also provided in the current level budget.

TORT CLAIMS DIVISION					
Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
	1986	1987	1988	1989	Biennium
F.T.E.	8.50	9.00	8.50	8.50	(0.50)
Personal Service	\$238,404	\$ 289,935	\$ 266,025	\$ 265,662	0.6
Operating Expense	738,287	1,566,210	1,199,121	1,187,052	3.5
Equipment	8,889	1,450	-0-	-0-	(100.0)
Total Operating Costs	\$985,580	\$1,857,595	\$1,465,146	\$1,452,714	2.6
Non-Operating Costs	-0-	-0-	745,737	733,305	---
Total Expenditures	\$985,580	\$1,857,595	\$2,210,883	\$2,186,019	54.6
<u>=====</u>					
Fund Sources					
Proprietary Funds	\$985,580	\$1,857,595	\$2,210,883	\$2,186,019	54.6
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The Tort Claims Division provides for the investigation, defense, and payment of bodily injury and property damage claims incurred by all agencies, officers and employees of the state of Montana under Article II, Section 18 of the Montana constitution, and the Montana Tort Claims Act. The division also assesses the fire, casualty, and bond risks of the state for all state-owned buildings, equipment, fixtures, boilers, aircraft, cash and securities, and provides either commercial or self-insurance protection for the financial loss of such property.

The current level budget provides a 54.6 percent increase from the 1987 biennium to the 1989 biennium because non-operating costs are included for legislative authorization in the 1989 biennium. These costs were added through administrative appropriation authority in the 1987 biennium and are a transfer of funds from the self-insurance account to the operating account which are used to pay for all operating costs except commercial insurance premiums.

Section 2-9-202(3), MCA states,

"Expenditures for actual and necessary expenses required for the efficient administration of the fund must be made from temporary appropriations, as described in 17-7-501 (1) or (2), made for that purpose."

Section 17-7-501 (1) and (2) refer to temporary appropriations enacted by the legislature as part of designated appropriation bills and valid budget amendments, respectively. Inclusion of the transfer authority in the general appropriations act eliminates the need for the agency to seek authorization through a budget amendment or administrative appropriation.

The agency has statutory appropriation authority to pay all claims submitted against the comprehensive state insurance plan. These costs are not included in the program's main table.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 21
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	8.50	0.50
Personal Service	\$ 289,285	\$238,404	\$ 50,881
Operating Expense	1,545,833	738,287	807,546
Equipment	1,450	8,889	(7,439)
Total Exp. and Funding	<u>\$1,836,568</u>	<u>\$985,580</u>	<u>\$850,988</u>

The fiscal 1986 expenditures were \$850,988 less than budgeted by the 1985 legislature. Major savings were in personal services and operating expenses. Personal services were underspent by \$50,881 because the division downgraded three positions, three positions were vacant over 50 percent of the year, and a 0.5 FTE was transferred out of the division.

The major savings in operating expenses was in contracted services. The division transferred a net \$63,910 contracted services expenditure authority out of the program and underspent the remaining appropriation for insurance premiums by \$447,750 and contracted legal services by \$242,808.

Equipment expenditures were \$7,439 higher than anticipated by the 1985 legislature. The agency purchased a personal computer which was not specifically authorized by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 8.5 FTE funded from the fiscal 1987 pay matrix with four percent vacancy savings applied. Commercial insurance premiums are estimated at \$719,409 each year of the biennium, nearly double the actual cost in fiscal 1986. Contracted legal fees and associated operating expenses are provided at the actual fiscal 1986 level of \$417,211 each year of the biennium. Ten thousand dollars was provided in fiscal 1988 only for the actuarial report on the self-insurance fund.

PASSENGER TRAMWAY SAFETY PROGRAM					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Personal Service	\$ 425	\$ -0-	\$ 1,050	\$ 1,050	394.1
Operating Expense	11,361	18,765	13,081	13,081	13.2
Total Expenditures	\$11,786 =====	\$18,765 =====	\$14,131 =====	\$14,131 =====	(7.5) =====
Fund Sources					
General Fund	\$11,786	\$ -0-	\$ -0-	\$ -0-	(100.0)
State Special	-0-	18,765	14,131	14,131	50.6
Total Funds	\$11,786 =====	\$18,765 =====	\$14,131 =====	\$14,131 =====	(7.5) =====

The Passenger Tramway Safety Program regulates the design, construction, and operation of all passenger tramways in the state to insure public safety. The responsibility for the administration of this program lies within the Department of Administration.

The current level budget provides a 7.5 percent decrease from the 1987 biennium to the 1989 biennium primarily because contracted services are budgeted at \$15,778 in fiscal 1987 but reduced to the fiscal 1986 level of \$9,003 for each year of the 1989 biennium.

Beginning in fiscal 1987, the program is funded from fees assessed tramway owners for safety inspections.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 22
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	0.00	0.00	0.00
Personal Service	\$ -0-	\$ 425	\$ (425)
Operating Expense	18,824	11,361	7,463
Total Exp. and General Fund	<u>\$18,824</u>	<u>\$11,786</u>	<u>\$7,038</u>

Fiscal 1986 expenditures were \$7,039 less than appropriated because the program did not experience the level of professional engineering services anticipated by the 1985 legislature.

Current Level Adjustments

The current level budget provides \$1,050 per diem each year of the 1989 biennium to cover costs of three two-day meetings for the seven members of the Passenger Tramway Safety Advisory Council. In-state mileage, in-state meals, and in-state lodging was increased \$1,720 from fiscal 1986 levels to allow for increased participation by council members in the meetings.

WORKERS' COMPENSATION JUDGE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	9.00	8.00	8.00	8.00	0.00
Personal Service	\$227,542	\$214,646	\$224,152	\$223,949	1.3
Operating Expense	50,314	108,668	54,496	53,730	(31.9)
Equipment	34,112	1,650	-0-	-0-	(100.0)
Total Expenditures	<u>\$311,968</u>	<u>\$324,964</u>	<u>\$278,648</u>	<u>\$277,679</u>	<u>(12.7)</u>
Fund Sources					
State Special Revenue	<u>\$311,968</u>	<u>\$324,964</u>	<u>\$278,648</u>	<u>\$277,679</u>	<u>(12.7)</u>

The Workers' Compensation Judge adjudicates disputed compensation claims among workers, insurance carriers, and employers.

The current level budget provides a 12.7 percent decrease from the 1987 biennium to the 1989 biennium. The agency deleted 1.0 FTE to respond to the pay

plan shortfall in fiscal 1987; this reduced FTE level is carried into the 1989 biennium. Personal services increase 1.3 percent from the 1987 biennium to the 1989 biennium for several reasons: (1) actual fiscal 1986 expenditures were \$14,547 less than appropriated; (2) fiscal 1987 personal services reflect the pay plan shortfall of \$6,460 for this program; (3) fiscal 1988 and 1989 personal services reflect the full amount of pay plan both years, less 4 percent vacancy savings; and, (4) a position upgrade impacting salaries \$5,400 each year is included.

Operating expenses decrease 31.9 percent because expenditures are continued at the fiscal 1986 expenditure level, rather than the appropriated fiscal 1987 level. The 1985 legislature added approximately \$27,000 to the current level budget for increased travel costs. The agency spent \$27,000 less for travel than was appropriated. Therefore, the expansion was not used by the agency as anticipated by the legislature. The legislature also provided an additional \$12,000 in fiscal 1986 and 1987 for the agency to rent meeting rooms outside of Helena to conduct business. The agency expended only \$593 of the appropriation in fiscal 1986. This expenditure expansion was not continued into the 1989 biennium.

Equipment expenditures decrease 100 percent from the 1987 to the 1989 biennium as the current level budget does not provide for equipment expenditures.

This program is funded from the workers' compensation state special revenue fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 23 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	9.00	9.00	0.00
Personal Service	\$242,089	\$227,542	\$ 14,547
Operating Expense	107,046	50,314	56,732
Equipment	11,650	34,112	(22,462)
Total Exp. and Funding	<u>\$360,785</u>	<u>\$311,968</u>	<u>\$ 48,817</u>

Fiscal 1986 actual expenditures were \$48,817 less than appropriated by the 1985 legislature. Personal services were \$14,547 less than appropriated because a 1.0 FTE was vacant ten months of the year. The approximate \$19,800 savings from the vacant position was offset approximately \$5,300 from a position upgrade and accrued leave payout for a position which turned over during the year.

Operating expenses were \$56,732 less than appropriated. The major savings occurred in contracted services (\$10,093), supplies and materials (\$4,358), travel (\$27,408), and rent (\$16,166). Most of the contracted services savings was possible

because the agency expended only \$241 of a \$9,000 appropriation for legal fees for the veterans' preference lawsuit. Savings in supplies and materials occurred in photocopy supplies and office supplies purchased from non-state providers. The travel expense savings of \$27,000 was mentioned following the main table. The legislature provided a \$27,000 current level expansion for travel for fiscal 1986 and 1987. The agency underspent its travel allocation by \$27,000. Rent expenditures were underspent because the agency spent only \$593 of a \$12,000 appropriation for meeting rooms. The remainder of the savings was possible because the agency did not pay for photocopy machine rent as originally requested.

Equipment expenditures exceeded the appropriation by \$22,462 as the agency purchased personal computers neither requested nor approved by the 1985 legislature.

Current Level Adjustments

The current level budget provides for 8.0 FTE funded from the fiscal 1987 salary matrix with 4 percent vacancy savings. Twelve-thousand is provided each year for the court to contract with a court reporter. The state FTE position deleted from current level was a court reporter with an annual salary of \$20,000. Approximately \$3,200 is provided for hearings officer costs for matters before a district judge on cases where the workers' compensation judge is disqualified. The computer purchases required an additional \$2,162 each year for maintenance contracts.

STATE TAX APPEALS BOARD					
<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
	1986	1987	1988	1989	Biennium
F.T.E.	5.50	5.50	5.50	5.50	0.00
Personal Service	\$212,434	\$198,287	\$209,196	\$209,188	1.9
Operating Expense	102,288	89,783	103,569	103,494	7.8
Equipment	5,616	-0-	1,400	-0-	(75.1)
Total Expenditures	\$320,338	\$288,070	\$314,165	\$312,682	3.0
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$320,338	\$288,070	\$314,165	\$312,682	3.0
	=====	=====	=====	=====	=====

The State Tax Appeals Board hears appeals resulting from decisions of county appeals boards and from taxation decisions of the Department of Revenue. Included in the board's authority are property taxes, corporate license taxes, income taxes, and liquor taxes. In addition to funding state board operations, the budget includes salaries and travel expenses for the county tax appeal boards.

The current level budget provides a 3 percent increase from the 1987 biennium to the 1989 biennium. Personal services increase 1.9 percent and operating expenses

increase 7.8 percent. The current level budget anticipates the appeal hearings activity will remain at the fiscal 1986 level throughout the 1989 biennium.

The State Tax Appeals Board is supported by general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 24 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	5.50	5.50	0.00
Personal Service	\$204,001	\$212,434	\$(8,433)
Operating Expense	119,278	102,288	16,990
Equipment	<u>3,000</u>	<u>5,616</u>	<u>(2,616)</u>
Total Expenditures	<u>\$326,279</u>	<u>\$320,338</u>	<u>\$ 5,941</u>
<u>Funding</u>			
General Fund	<u>\$326,279</u>	<u>\$320,338</u>	<u>\$ 5,941</u>

Fiscal 1986 expenditures were \$5,941 less than the appropriation. Personal services exceeded the budget by \$8,433 because the per diem paid to county tax appeal board members was higher than expected and a 0.5 FTE position was worked full time during fiscal 1986. Operating expense savings was possible in contracted secretarial services. Equipment expenditures were \$2,616 higher than appropriated.

Current Level Adjustments

The current level budget provides personal services funding for 5.5 FTE at the fiscal 1987 salary matrix and four percent vacancy savings. The personal services allocation also includes \$53,055 each year for per diem for county tax appeal board members. Operating expense adjustments include an additional \$720 each year for office automation subscription charges, a new fee assessed by the Information Services Division for personal computer users. In fiscal 1988 computer equipment to further automate the office function of the program is included at \$1,400.

PUBLIC EMPLOYEES' RETIREMENT DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	22.50	21.60	21.60	21.60	0.00
Personal Service	\$486,508	\$518,915	\$499,613	\$499,515	(0.6)
Operating Expense	303,597	275,021	292,932	261,277	(4.2)
Equipment	23,153	2,500	1,395	1,950	(87.0)
Total Expenditures	<u>\$813,258</u>	<u>\$796,436</u>	<u>\$793,940</u>	<u>\$762,742</u>	<u>(3.3)</u>
Fund Sources					
Non-Expendable Trust	<u>\$813,258</u>	<u>\$796,436</u>	<u>\$793,940</u>	<u>\$762,742</u>	<u>(3.3)</u>

The Public Employees' Retirement Division of the Department of Administration administers the retirement systems for the members and their beneficiaries of eight retirement systems.

The current level budget provides a 3.3 percent decrease in the 1989 biennium from the 1987 biennium. Expenditures decrease in all expenditure categories. The division is funded from interest earned on investments held in trust for the retirement systems.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 25
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	22.50	22.50	0.00
Personal Service	\$518,211	\$486,508	\$ 31,703
Operating Expense	319,437	303,597	15,840
Equipment	6,969	23,153	(16,184)
Total Expenditures	<u>\$844,617</u>	<u>\$813,258</u>	<u>\$ 31,359</u>

Fiscal 1986 expenditures were \$31,359 less than authorized by the 1985 legislature. Major savings were possible in personal services as vacancy savings

exceeded the budgeted amount by approximately \$21,000 and budgeted personal services were approximately \$9,000 less than authorized by the legislature.

Operating expenses were \$15,840 less than authorized. Contracted services, supplies, and utilities were approximately \$26,000 less than budgeted while \$11,250 rent and maintenance for computer software was spent which was not specifically authorized by the 1985 legislature.

The savings in personal services and operating was partially used to purchase computer equipment and office equipment not authorized by the 1985 legislature.

Current Level Adjustments

In response to the 5 percent and pay plan funding cuts, the agency reduced its FTE by 0.9 from its original fiscal 1987 appropriation. This reduction is carried into the 1989 biennium. A full-time secretary was reduced to 0.6 and a 0.5 administrative clerk was eliminated. The annual personal services savings is approximately \$7,500.

One-time microfilming cost of \$18,800 was removed from the base. Legislative audit costs totaling \$30,000 were added in fiscal 1988. The division supports three-eighths of a lawyer in the Department of Administration's Director's Office. The amount included for this support is \$13,602 in fiscal 1988 and \$13,497 in fiscal 1989.

Funding for office equipment is included at \$1,395 in fiscal 1988 and \$1,950 in fiscal 1989.

TEACHERS' RETIREMENT SYSTEM					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	11.00	10.40	10.40	10.40	0.00
Personal Service	\$222,989	\$241,811	\$231,499	\$231,446	(0.4)
Operating Expense	131,814	169,708	176,876	151,379	8.9
Equipment	1,389	-0-	-0-	-0-	(100.0)
Total Expenditures	\$356,142 =====	\$411,519 =====	\$408,375 =====	\$382,825 =====	3.1 =====
<u>Funding Sources</u>					
Non-Expendable Trust	\$356,142 =====	\$411,519 =====	\$408,375 =====	\$382,825 =====	3.1 =====

The Teachers' Retirement System provides retirement, disability and survivor benefits for the state teachers and their beneficiaries. The Teachers' Retirement Board which is comprised of six members, all appointed by the Governor, is responsible for the administration of the system. The program is regulated by Title

19, Chapter 4, MCA. The Teachers' Retirement System is administratively attached to the Department of Administration.

The program is funded from the investment earnings of the system.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 26
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	11.00	11.00	0.00
Personal Service	\$242,718	\$222,939	\$ 19,779
Operating Expense	222,330	131,814	90,516
Equipment	<u>1,248</u>	<u>1,389</u>	<u>(141)</u>
Total Expenditures	<u>\$466,296</u>	<u>\$356,142</u>	<u>\$110,154</u>

Fiscal 1986 expenditures were \$110,154 less than authorized by the 1985 legislature. Personal services were \$19,779 less than budgeted due to vacancy savings exceeding the budgeted amount by approximately \$15,400 and budgeted personal services being approximately \$3,100 less than authorized. Operating expenditures were \$90,516 less than authorized as funds spent for computer processing and development were \$88,600 less than budgeted.

Current Level Adjustments

In response to the pay plan funding shortfall, the agency reduced its FTE by 0.6 in fiscal 1987. This is continued into the 1989 biennium. Approximately \$14,000 is included in fiscal 1988 for the program's biennial actuarial valuation report. The program has implemented a new computer system for which the base operating costs of \$23,152 have been increased in the current level budget to \$47,130 in fiscal 1988 and \$49,127 in fiscal 1989.

Legislative audit costs of \$18,000 were included in fiscal 1988.

HUMAN SERVICES



DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Total Funds
Executive Budget	245.25	\$7,463,727	\$53,066,062
LFA Current Level	227.25	6,862,060	40,475,136
Executive Over (Under) LFA	<u>-18.00</u>	<u>\$ -601,667</u>	<u>\$12,590,926</u>

The difference between the executive and LFA current level is primarily caused by modifications in the Governor's budget, which add \$11,516,311 in total funds and 18.0 total FTE over the biennium. The following is a discussion of the major differences between the executive and LFA current level budgets.

ISSUE 1: MATERNAL AND CHILD HEALTH BLOCK GRANT

The Maternal and Child Health Block Grant is expected to total \$1,897,421 each year of the biennium. The following table shows 1989 biennium executive and LFA current level.

Table A
Maternal and Child Health Block Grant

Program	Executive	1989 Biennium Current Level	Difference
Director			
Administration	\$ 60,000	\$ 61,000	\$ (1,000)
HLth Serv Med Facilities			
Administration	47,454	48,000	(546)
Family Planning	58,000	58,000	-0-
Clinical Administration	131,762	210,000	(78,238)
Handicapped Children	1,784,314	1,612,184	172,130
Dental	86,000	82,761	3,239
Grants to Counties	1,329,832	1,370,834	(41,002)
Perinatal	297,480	274,957	22,523
Total	<u>\$3,794,842</u>	<u>\$3,717,736</u>	<u>\$ 77,106</u>
Remainder to be Allocated	<u>\$ -0-</u>	<u>\$ 77,106</u>	<u>\$ (77,106)</u>

LFA current level generally maintains each program at the fiscal 1986 level of operations. The executive has allocated remaining funds to the Handicapped Children's Services Program. LFA current level provides a greater share of the

funding to Maternal and Child Health Bureau administration with the Maternal and Child Health Block Grant, in keeping with the actual fiscal 1986 level of support, than does the executive. The executive includes \$77,741 in additional general fund over the biennium to fund administration of the bureau.

There are no programs that are mandated as a condition of receiving the grant. There is no limit to the amount that may be expended for administration, but use of the grant for administration must be documented. In keeping with past legislative practice, grants to counties are made when all needs of the department of health have been met. If the grant is more or less than anticipated, grants to counties will fluctuate.

Issues to be addressed are:

1. Which programs should continue to be funded by the grant and at what levels?
2. How much of the grant will be used for administrative purposes?

ISSUE 2: PREVENTIVE HEALTH (PH) BLOCK GRANT

The Preventive Health Block Grant is expected to total \$632,187 in the 1989 biennium. The following table shows fiscal 1988 and 1989 allocations in the executive and LFA current level.

Table B
Preventive Health Block

<u>Program</u>	<u>1989 Biennium</u>		
	<u>Executive</u>	<u>Current Level</u>	<u>Difference</u>
Director			
Administrative	\$ 97,290	\$ 89,000	\$ 8,290
Support Services			
Micro Lab	110,489	68,000	42,489
Hlth Serv Med Facilities			
Administrative	20,336	21,000	(664)
Risk Reduction	93,407	96,057	(2,650)
Family Planning	403,922	362,584	41,338
Dental	36,773	39,700	(2,927)
Perinatal	110,028	135,072	(25,044)
EMS	368,189	336,566	31,623
Rape Crisis	23,940	23,940	-0-
Total	<u>\$1,264,374</u>	<u>\$1,171,919</u>	<u>\$ 92,455</u>
Remainder to be Allocated	<u>\$ -0-</u>	<u>\$ 92,455</u>	<u>\$ 92,455</u>

LFA current level generally maintains each program at the fiscal 1986 level of operations. The executive has funded the laboratory with a greater share of block grants due to higher equipment purchases in that bureau and funding of AIDS kits. The executive has included \$31,623 more Preventive Health Block Grant funds in the Emergency Medical Services Bureau than current level. Since the funds directly offset general fund, LFA current level has \$38,792 more general fund than the executive.

The Rape Crisis grant is mandated under the grant. Ten percent of the grant may be used for administration. The grant contains a non-supplantation clause, meaning no grant monies may be used in place of former state participation.

Issues to be addressed include:

1. Which programs should continue to be funded by the grant and at what level?
2. How much of the grant will be used for administrative purposes?

DIRECTOR'S DIVISION

ISSUE 3: LEGAL UNIT

The executive has added \$3,960 each year of the biennium to allow the unit to access the Westlaw legal information system. The executive has also funded the purchase of software and four computers at a total cost of \$13,484 over the biennium. While the unit is general funded, these additions have been funded with federal funds. LFA current level includes one computer, funded with general fund, and does not include any Westlaw expenses.

CENTRALIZED SERVICES

ISSUE 4: BIRTH CERTIFICATE FEES

The Records and Statistics Bureau is partially funded from revenues collected from the copying of birth and death certificates. The executive includes \$176,243 in fees over the biennium, while LFA current level includes a greater proportion of the current fund balance, or \$204,212, for an additional \$27,969 over the biennium. The fees directly offset general fund.

ISSUE 5: LABORATORY EQUIPMENT

The executive includes \$83,300 in equipment in the Chemistry Laboratory and \$69,500 in the Microbiology Laboratory, both of which were included in modified requests. Both equipment purchases are funded with laboratory and water test fee income. LFA current level includes \$29,788 in the Chemistry Laboratory and \$17,726 in the Microbiology Laboratory, both of which are four year averages of prior equipment expenditures. LFA current level equipment is funded by the funding split of each bureau, consisting of fees and general fund.

ENVIRONMENTAL SCIENCES DIVISION

ISSUE 6: DIVISION ADMINISTRATION

The executive includes \$100,000 in state special revenue over the biennium to continue the environmental quality protection fund established by the 1985 legislature. As the fund was included in a modified request, it is not included in LFA current level. The state special revenue is reimbursements from any party responsible for the release of hazardous materials.

ISSUE 7: JUNK VEHICLE GRANTS TO COUNTIES

The executive includes the agency's request for \$1,589,246 in junk vehicle account authority for grants to counties to defray the costs of maintaining junk vehicle graveyards. LFA current level includes \$1,517,562, or \$71,684 less than the executive, which represents a 17.6 percent increase over the fiscal 1986 level. For a discussion of the junk vehicle account, see Issue 2 on page 23.

ISSUE 8: UNDERGROUND STORAGE TANKS

The executive has included a modification to expand the Underground Storage Tank Program by 1.0 FTE environmental specialist and a 0.5 FTE lawyer, at a total cost of \$11,990 in RIT funds and \$35,968 in federal funds in fiscal 1988 and \$11,775 in RIT funds and \$35,326 in federal funds in fiscal 1989. LFA current level does not include this expansion.

ISSUE 9: SUPERFUND

LFA current level contains \$224,408 of Resource Indemnity Trust (RIT) interest funds to match federal superfund dollars, while the executive budget contains no state matching dollars. However, the executive budget adds \$60,000 of RIT interest for the new purpose of cleaning up emergency spills of hazardous materials. As a result, the executive budget includes \$164,408 less RIT interest funds than LFA current level.

ISSUE 10: SUPERFUND - FEDERAL FUNDS

The executive budget includes federal Superfund dollars of \$12,477,194, or \$10,530,147 above LFA current level. LFA current level represents a continuation of the level expended in fiscal 1986. The executive budget contains no state match for these federal funds, as the funds included represent initial phase expenditures, which are 100 percent federally funded. For funds expended beyond the initial phase, a state match is required. The executive requests specific legislative authorization to add spending authority for the federal dollars which require a state match and the state match itself via the budget amendment process.

ISSUE 11: SAFE DRINKING WATER

The executive has added 1.0 FTE to the Safe Drinking Water Program of the Water Quality Bureau due to an IRS directive. LFA current level has not added the

additional FTE pending legislative review. The executive has reduced operating expenses to offset the increase in personal service costs.

ISSUE 12: WATER QUALITY BUREAU MODIFICATIONS

The executive has included \$572,769 in modifications in the Water Quality Bureau, including 0.75 FTE in fiscal 1988 and 0.25 FTE in fiscal 1989, to complete the automation of water permit activities, to expand the Water and Wastewater Operator's Program, and to expand the Safe Drinking Water Program in response to changes in federal regulations. The modification includes \$133,334 in general fund over the biennium. LFA current level does not include the modifications.

HEALTH SERVICES AND MEDICAL FACILITIES

ISSUE 13: WOMEN, INFANTS AND CHILDREN ON LINE DATA ENTRY

The executive has included total modifications in the Women, Infants and Children Program of \$176,889 in federal WIC funds and 1.0 FTE over the biennium to provide on-line data entry. These modifications are not included in LFA current level.

ISSUE 14: AIDS AND BEHAVIORAL RISK SURVEILLANCE MODIFICATIONS

The executive includes \$200,410 in modifications over the biennium, including 2.0 FTE, for AIDS projects and for behavioral risk surveillance activities. These modifications are funded with federal funds. LFA current level does not include any of these modifications.

ISSUE 15: LICENSING AND CERTIFICATION BUREAU FUNDING

General fund supports all licensing expenses and provides match for federal medicaid certification expenses in the Licensing and Certification Bureau. The executive has funded the Licensing and Certification Bureau at 42 percent general fund. LFA current level maintains funding of the bureau at the fiscal 1986 funding level of 31 percent. In addition, the executive has added a modification of 9.5 FTE in the 1989 biennium, funded with 41 percent general fund. As a consequence, the executive has a total of \$394,022 more general fund over the biennium than does LFA current level.

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988 Fiscal 1989		% Change 1987-89 Biennium
F.T.E.	229.25	241.25	227.25	227.25	(14.50)
Personal Service	\$ 6,379,650	\$ 6,392,458	\$ 6,413,603	\$ 6,415,575	0.4
Operating Expense	4,762,706	11,895,452	4,933,014	4,908,858	(40.9)
Equipment	252,262	12,705	145,088	74,164	(17.3)
Total Operating Costs	\$11,394,618	\$18,300,615	\$11,491,705	\$11,398,597	(22.9)
Non-Operating Costs	10,587,398	5,222,189	8,674,159	8,910,675	11.2
Total Expenditures	<u>\$21,982,016</u>	<u>\$23,522,804</u>	<u>\$20,165,864</u>	<u>\$20,309,272</u>	<u>(11.1)</u>
Fund Sources					
General Fund	\$ 3,853,795	\$ 3,420,884	\$ 3,506,769	\$ 3,450,634	(4.4)
State Special	1,774,247	2,874,275	2,290,662	2,331,234	(0.6)
Federal Revenue	16,347,574	17,227,645	14,368,433	14,527,404	(13.9)
Other Funds	6,400	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$21,982,016</u>	<u>\$23,522,804</u>	<u>\$20,165,864</u>	<u>\$20,309,272</u>	<u>(11.1)</u>

The Department of Health and Environmental Sciences is responsible for promoting and protecting the health of Montanans.

The department will reorganize in the 1989 biennium. The Financial Management and Management Services Divisions will combine into the Centralized Services Division, and the Health Services and Medical Facilities Division will have a general reorganization of programs. The reorganized department will consist of four divisions: the Director, Centralized Services, Environmental Sciences, and Health Services and Medical Facilities.

Block Grants

The Department of Health and Environmental Sciences receives two federal block grants: (1) the Preventive Health Block Grant (PH), and (2) the Maternal and Child Health Block Grant (MCH). The following table shows actual expenditures of the Preventive Health Block Grant in fiscal 1986, the appropriated fiscal 1987 level, and current level allocations in the 1989 biennium.

Table 1
Preventive Health Block
Fiscal Years 1984 - 1987

	FY 86	FY 87	FY 88	FY 89
Beginning Balance	\$ -0-	\$ -0-	\$ 126	\$ 48,207
Anticipated Grant	<u>604,511</u>	<u>632,187</u>	<u>632,187</u>	<u>632,187</u>
Total Funds Available	\$604,511	\$632,187	\$632,313	\$680,394
Disbursements:				
Director				
Rape Crises	\$ 11,970	\$ 11,970	\$ -0-	\$ -0-
Admin.	43,557	48,645	44,000	45,000
Support Services				
Micro Lab	-0-	-0-	34,000	34,000
Mgmt. Services				
Micro Lab	32,859	34,000	-0-	-0-
Hlth. Serv. Med. Facil.				
Administration	9,878	10,168	10,500	10,500
Risk Reduction	47,869	49,257	48,053	48,004
Family Planning	193,431	190,308	181,145	181,439
Dental	-0-	15,000	19,850	19,850
Family Planning	-0-	11,653	-0-	-0-
Perinatal	96,529	56,205	68,457	66,615
EMS	168,418	204,855	166,131	170,435
Rape Crisis	<u>-0-</u>	<u>-0-</u>	<u>11,970</u>	<u>11,970</u>
Total Disbursements	<u>\$604,511</u>	<u>\$632,061</u>	<u>\$584,106</u>	<u>\$587,813</u>
Ending Balance	<u>\$ -0-</u>	<u>\$ 126</u>	<u>\$48,207</u>	<u>\$92,581</u>

The fiscal 1988 and fiscal 1989 grant totals represent current level. The balance can be used primarily in two ways: 1) Maternal and Child Health Block Grant funds currently funding the Perinatal and Dental Programs could be replaced, freeing more of those funds for grants to counties, and 2) program expansion. Due to nonsupplantation requirements, this grant may not be used to reduce current state support in any program.

The following table shows actual expenditures of the Maternal and Child Health Block Grant since fiscal 1986, the appropriated fiscal 1987 level, and current level allocations in the 1989 biennium.

Table 2
Maternal and Child Health

	FY 86	FY 87	FY 88	FY 89
Beginning Balance	\$ -0-	\$ -0-	\$ -0	\$ 37,660
Grant Award	<u>1,980,759</u>	<u>1,920,679</u>	<u>1,897,421</u>	<u>1,897,421</u>
Total Funds Available	\$1,980,759	\$1,920,679	\$1,897,421	\$1,935,081
Disbursements:				
Director				
Administration	\$ 30,000	\$ 30,000	\$ 30,000	\$ 31,000
Grants to Counties	824,664	685,599	-0-	-0-
Hlth Serv. Med. Facilities				
Administration	23,047	23,727	24,000	24,000
Nursing	27,314	28,000	-0-	-0-
Family Planning	27,268	29,000	29,000	29,000
Clinical Administration	98,789	80,634	105,000	105,000
Handicapped Children	797,536	725,191	805,956	806,228
Dental	57,997	43,000	41,282	41,479
Newborn Transport	-0-	66,000	-0-	-0-
Cleft Palate	-0-	52,500	-0-	-0-
Grants to Counties	-0-	-0-	685,417	685,417
Perinatal	<u>94,144</u>	<u>157,028</u>	<u>139,106</u>	<u>135,851</u>
Total Disbursements	<u>\$1,980,759</u>	<u>\$1,920,679</u>	<u>\$1,859,761</u>	<u>\$1,857,975</u>
Ending Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 37,660</u>	<u>\$ 77,106</u>

The fiscal 1988 and fiscal 1989 grant totals represent current level. The balance in the grants can be used primarily in two ways: 1) increase in grants to counties, and 2) program expansion.

Indirect Costs

All programs of the department contribute to the administrative costs of the department of health via the indirect cost pool. The department negotiates a rate with the federal government, which is then applied to the personal services costs of all state revolving accounts and all federal funds, excluding block grants and National Center for Health Statistics funds. Programs currently funded with indirect costs are Financial Management and Support Services in the reorganized Centralized Services Division. The following table shows the actual rates since fiscal 1983, and the agency projection for fiscal 1989.

Table 3
Indirect Cost Rates - Department of Health
Fiscal 1983 - Fiscal 1989

<u>Fiscal Year</u>	<u>Rate</u>
1983	20.3%
1984	13.1%
1985	8.7%
1986	17.6%
1987	17.1%
1988	13.0%
1989 Projected	13.0%

Prior to fiscal 1988, indirect charges were made directly on funding sources. These charges were not budgeted for, nor did they appear as expenses in any program. In the 1989 biennium, all indirect charges are budgeted and appear as expenses in current level. The following table shows the indirect charges added to the current level budget in fiscal years 1988 and 1989 by division and by the type of funding source charged.

Table 4
Indirect Costs by Division
1989 Biennium

<u>Division</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Centralized Services		
State	\$ 48,330	\$ 49,463
Federal	5,088	4,857
Environmental Sciences		
State	43,427	43,438
Federal	196,808	194,957
Health Services		
Federal	108,751	108,732
Total Indirect Charges	<u>\$402,404</u>	<u>\$401,447</u>

Of the total indirect changes to appear in the budget, approximately 90 percent is available to offset costs in the department of health. The remainder is deposited to the general fund.

THE DIRECTOR

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	11.00	11.00	10.00	10.00	(1.00)
Personal Service	\$388,927	\$470,563	\$361,275	\$361,251	(15.9)
Operating Expense	69,109	54,676	62,226	62,671	0.9
Equipment	1,024	-0-	4,000	-0-	290.6
Total Expenditures	<u>\$459,060</u>	<u>\$525,239</u>	<u>\$427,501</u>	<u>\$423,922</u>	<u>(13.5)</u>
<u>Fund Sources</u>					
General Fund	\$385,503	\$398,770	\$353,501	\$347,922	(10.6)
State Special	-0-	6,492	-0-	-0-	(100.0)
Federal Revenue	<u>73,557</u>	<u>119,977</u>	<u>74,000</u>	<u>76,000</u>	<u>(22.5)</u>
Total Funds	<u>\$459,060</u>	<u>\$525,239</u>	<u>\$427,501</u>	<u>\$423,922</u>	<u>13.5</u>

The director is responsible for overall management and program support for the Department of Health and Environmental Sciences and is composed of the Director's Office, which coordinates and provides policy development and administration for the department; the Board of Health, which advises the department in matters concerning the public health; and Legal Services, which provides all aspects of legal representation to the department, with the exception of the Environmental Sciences Division, which has its own legal staff.

Appropriated fiscal 1987 contains all pay plan allocated to the department of health totaling \$60,483 of general fund, \$6,492 of state special revenue, and \$42,332 of federal funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	11.00	11.00	0.00
Personal Service	\$490,838	\$388,927	\$101,911
Operating Expense	57,667	69,109	(11,442)
Equipment	-0-	1,024	(1,024)
Total Expenditures	<u>\$548,505</u>	<u>\$459,060</u>	<u>\$ 89,445</u>
<u>Funding</u>			
General Fund	\$426,471	\$385,503	\$ 40,968
Federal Revenue	122,034	73,557	48,477
Total Funds	<u>\$548,505</u>	<u>\$459,060</u>	<u>\$ 89,445</u>

The difference in personal services is due to pay plan. Pay plan of \$72,182 in general fund, \$6,520 in state special funds, and \$41,957 in federal funds was added to the entire department of health in fiscal 1986. All pay plan funds were deposited to the Director's Office for allocation to the remainder of the programs of the department. However, only \$45,620 was allocated. The remainder of the difference is due to vacancy savings. Program transfers totaling \$22,000 allowed the overexpenditure in operating expenses, primarily for family planning lawsuit expenses.

Current Level Adjustments

Within the Director's Office, a grade 16 step 7 information officer position that was left vacant in fiscal 1987 was eliminated from current level, as was \$7,875 in contracts. Rent was reduced \$696 due to a reallocation of space. Within the Board of Health, per diem expenses were raised \$1,550 and travel expenses were raised \$1,008 each year of the biennium to allow the board to meet the statutory six times. Within the Legal Unit, rent was increased \$620 and office equipment repair and maintenance was reduced \$1,085. Equipment includes \$4,000 in fiscal 1988 for a computer.

Funding

The Director's Office is funded with a combination of general fund and Maternal and Child Health and Preventive Health Block Grant funds. Table 5 on the following page shows funding of the Director's Office in fiscal 1986, fiscal 1988, and fiscal 1989.

The department is requesting that indirect funds be used in this office in lieu of a portion of the general fund. For a further discussion, see the indirect cost fund issue in the Centralized Services Division.

Table 5
Director's Office Funding
Fiscal 1986 - 1989

Fund Source	Fiscal 1986	Fiscal 1988	Fiscal 1989
General Fund	\$274,059	\$229,988	\$228,408
MCH	30,001	30,000	31,000
PH	43,557	44,000	45,000
Total Funding	<u>\$347,617</u>	<u>\$303,988</u>	<u>\$304,408</u>

The Board of Health is completely general funded, totaling \$9,545 in each fiscal 1988 and fiscal 1989.

The Legal Unit is funded with general fund, totaling \$113,967 in fiscal 1988 and \$109,968 in fiscal 1989.

CENTRALIZED SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	56.50	56.50	54.00	54.00	(2.50)
Personal Service	\$1,310,361	\$1,296,141	\$1,307,972	\$1,309,910	0.4
Operating Expense	437,082	521,577	577,312	546,995	17.3
Equipment	128,556	-0-	42,217	23,757	(48.7)
Total Expenditures	<u>\$1,875,999</u>	<u>\$1,817,718</u>	<u>\$1,927,501</u>	<u>\$1,880,662</u>	<u>3.1</u>
Fund Sources					
General Fund	\$ 868,203	\$ 733,097	\$ 816,272	\$ 765,880	(1.2)
State Special	391,597	445,589	587,760	596,402	41.4
Federal and Other	<u>616,199</u>	<u>639,032</u>	<u>523,469</u>	<u>518,380</u>	<u>(17.0)</u>
Total Funds	<u>\$1,875,999</u>	<u>\$1,817,718</u>	<u>\$1,927,501</u>	<u>\$1,880,662</u>	<u>3.1</u>

Centralized Services Division consists of the former Financial Management and Management Services Divisions and is responsible for all financial reporting, budgeting and accounting functions of the department, laboratory services, and

statistical services and recordkeeping. It is composed of administration and four bureaus: Support Services, Records and Statistics, Chemistry Laboratory, and Microbiology Laboratory.

Reorganization

The following table shows the reorganization of the Centralized Services Division.

Table 6
Reorganization - Centralized Services Division

<u>Current Configuration</u>	<u>1989 Biennium Configuration</u>
Financial Management Division	Centralized Services
Administration	Administration
Fiscal Services	Support Services, including:
Records and Statistics	Financial
	Word Processing
Management Services Division	Film Library
Administration, including:	Data Processing
Word Processing	Records and Statistics, including
Film Library	Tumor Registry (from Health Services
Data Processing	and Medical Facilities Division)
Microbiology Laboratory	Microbiology Laboratory
Chemistry Laboratory	Chemistry Laboratory

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	56.50	56.50	0.00
Personal Service	\$1,324,231	\$1,310,361	\$ 13,870
Operating Expense	566,994	437,082	129,912
Equipment	157,316	128,556	28,760
Total Expenditures	<u>\$2,048,541</u>	<u>\$1,875,999</u>	<u>\$172,542</u>
Funding			
General Fund	\$ 926,975	\$ 868,203	\$ 58,772
State Special	467,436	391,597	75,839
Federal Revenue	654,130	616,199	37,931
Total Funds	<u>\$2,048,541</u>	<u>\$1,875,999</u>	<u>\$172,542</u>

The Microbiology Laboratory expended \$50,842 less for supplies than originally anticipated, while the Chemistry Laboratory expended \$13,530 less for repair and maintenance than the allocation. The remainder of the difference is spread out over the various programs of the division. Equipment expenditures were less than the appropriation for laboratory equipment for PKU testing and computer equipment and software in Data Processing.

Current Level Adjustments

The following table shows FTE and funding of Centralized Services Division by bureau. Following the table, current level adjustments are discussed for each bureau.

Table 8
Centralized Services - FTE and Funding
1989 Biennium

Bureau	FTE	Fiscal 1988			Fiscal 1989		
		Gen Fund	Other Funds	Total	Gen Fund	Other Funds	Total
Financial Administrator	3.00	\$185,872	\$ -0-	\$ 185,872	\$137,735	\$ 48,573	\$ 186,308
Support Services	16.50	93,656	419,859	513,515	93,826	366,197	460,023
Records and Statistics	15.00	260,470	171,721	432,191	254,945	171,711	426,656
Chemistry Laboratory	6.00	87,274	189,998	277,272	88,304	192,117	280,421
Microbiology Laboratory	13.50	189,000	329,651	518,651	191,070	336,184	527,254
Total	54.00	\$816,272	\$1,111,229	\$1,927,501	\$765,880	\$1,114,782	\$1,880,662

FINANCIAL ADMINISTRATION

Financial Administration provides overall financial support to the Department of Health and Environmental Sciences. The division administrator was awarded a grade increase, raising personal services costs by \$2,201 in fiscal 1988 and \$2,199 in fiscal 1989. Department of Administration insurance was increased \$39,020 to a total of \$72,304.

Financial Administration is funded by indirect funds and by general fund. General fund provides the difference between total funding needs and anticipated indirects. There was no general fund in this office in fiscal 1986. General fund is included in the 1989 biennium due to the rise in costs in Financial Administration, primarily in insurance costs, the drop in the federal indirect rate, and the only slight increase in personal services costs, against which the indirects are taken.

SUPPORT SERVICES

Support Services maintains the accounting system and provides centralized purchasing, mailroom, cashier, auditing, data processing, and word processing functions for the department and contains the film library.

A 1.00 FTE accounting clerk position was deleted from current level and a 1.00 FTE word processing operator position was reduced to 0.5 FTE due to the 5 percent cuts taken during Special Session III. The Management Services Division administrator position was deleted due to the reorganization.

Audit fees of \$40,800 were added in fiscal 1988. Audit expenses totaled \$24,624 in fiscal 1986. Child nutrition audit expenses of \$5,386 were deleted from current level.

Payroll service fees of \$8,751 in fiscal 1988 and \$8,534 in fiscal 1989 were added to current level. Payroll service fees totaled \$6,018 in fiscal 1986. Various categories of operating expenses totaling \$7,935 in one-time expenditures were removed from current level, and \$14,054 in expenses were moved to the Microbiology Laboratory, as the expenses had occurred in administration of the lab. Equipment includes \$4,000 for a computer in the Financial Unit, \$4,000 for a computer in the Data Processing Unit, and \$5,000 to purchase a used vehicle for mail pickup and delivery.

Support Services is funded by a combination of indirect funds, general fund, and user fees. The following table shows fiscal 1986, fiscal 1988 and fiscal 1989 funding by function.

Table 9
Support Services
Funding by Function

	<u>FY 86</u>	<u>FY 88</u>	<u>FY 89</u>
Financial**			
General Fund	\$145,876	\$ 93,656	\$ 93,826
Indirects	318,221	362,248	312,729
Lab Income*	41,722	-0-	-0-
Film Library Fees	22,372	18,067	18,416
Data Processing Fees	<u>26,092</u>	<u>39,544</u>	<u>35,052</u>
Total Funding	<u>\$554,283</u>	<u>\$513,515</u>	<u>\$460,023</u>

*Lab income for lab administration expenses. This expense has been moved to the labs or eliminated in the 1989 biennium.

**Includes all audit costs.

RECORDS AND STATISTICS

The Records and Statistics Bureau maintains the state's vital statistics system. The bureau also contains the Tumor Registry Program, which provides a registry of cancer patients in the state.

One-time expenditures in data processing, rent, and repair and maintenance totaling \$2,587 have been deleted from current level. The bureau made major equipment purchases in fiscal 1986. As a result, maintenance contracts have been increased by \$2,000. Equipment includes \$5,460 in fiscal 1986 for a microfilm reader.

Current level contains an additional \$2,639 in fiscal 1988 and \$2,739 in fiscal 1989 in printing costs to print manuals and forms in Records and Statistics and the biennial cancer data report in Tumor Registry.

This bureau is funded by general fund, income from the sale of copies of vital statistics, and by federal funds. The bureau supplies statistical data to the National Center for Health Statistics (NCHS) and to the Centers for Disease Control (CDC) and is reimbursed at a level negotiated each year. The fiscal 1988 level has not yet been set. Current level assumes a combined total of \$69,610 each year of the biennium. Income from records copying totals \$102,111 in fiscal 1988 and \$102,101 in fiscal 1989.

MICROBIOLOGY LABORATORY

The Microbiology Laboratory provides testing, consultation and coordination for disease control and environmental programs, and approves and certifies laboratories within the state.

Two FTE administration personnel are funded in this laboratory in the 1989 biennium. The FTE had been funded in Management Services Division Administration in fiscal 1986.

Communications and freight and express expenses totaling \$14,054 were moved from Support Services to this bureau as the expenses were incurred in administration of the lab in fiscal 1986. Rent was reduced \$969, while maintenance contracts were increased by \$8,091, supplies by \$4,000 and consulting expenses by \$3,000, as the laboratory will now have to secure laboratory proficiency testing. The federal government formerly provided proficiency tests free of charge. Inflation on lab supplies adds \$9,603 in fiscal 1988 and \$15,866 in fiscal 1987. The department is requesting major equipment purchases on a modified request. Equipment included in current level is a 4 year average of prior equipment purchases.

The department was allocated \$117,093 in fiscal 1986 and \$25,905 in fiscal 1987 in general fund for start-up fees to make the lab capable of performing PKU testing on newborns. There is no general fund in the lab for this purpose in fiscal 1988 or fiscal 1989. All PKU test activities are now funded with PKU testing fees.

The Microbiology Laboratory is funded with a combination of general fund, laboratory fees and Preventive Health Block Grant. The following table shows lab income and expenses through fiscal 1989.

Table 10
Microbiology Laboratory Revenue and Disbursements

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Beginning Balance	\$105,567	\$134,601	\$167,687	\$ 87,763
Revenue				
Water Test Fees	51,741	120,000	145,967	152,338
Handling Fee	64,140	-0-	-0-	-0-
Written-off Collected	1,633	-0-	-0-	-0-
Total Revenue	<u>\$117,514</u>	<u>\$120,000</u>	<u>\$145,967</u>	<u>\$152,338</u>
Total Funds Available	\$223,081	\$254,601	\$313,654	\$240,101
Disbursements				
Micro Lab	\$ 72,835	\$ 86,914	\$191,325	\$197,274
Chem. Lab	-0-	-0-	34,566	39,113
Administration	<u>15,645</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Disbursements	<u>\$ 88,480</u>	<u>\$ 86,914</u>	<u>\$225,891</u>	<u>\$236,387</u>
Year-end Balance	<u>\$134,601</u>	<u>\$167,687</u>	<u>\$ 87,763</u>	<u>\$ 3,714</u>

PKU fees total \$104,326 in fiscal 1988 and \$104,910 in fiscal 1989. Preventive Health Block Grant totals \$34,000 each year.

CHEMISTRY LABORATORY

The Chemistry Laboratory provides analytical and consulting services to various divisions within the department of health and other state agencies and conducts tests of private air and water samples.

Rent has been decreased \$377 and utilities \$700 at the department's request. New federal regulations in effect dictate the proper disposal of hazardous waste, and a total of \$1,526 has been added to allow for proper disposal. Maintenance contracts have been increased by \$1,885, and laboratory supplies by \$2,000.

The department is requesting a major equipment purchase in the 1989 biennium on a modified. Current level includes a 4 year average of equipment expenditures.

The Chemistry Laboratory is funded by a combination of general fund and laboratory fees. The following table shows income and expenses of the laboratory through fiscal 1989.

Table 11
Chemistry Laboratory Income and Disbursements

	<u>Fiscal 1986</u>	<u>Fiscal 1987</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Beginning Balance	\$102,264	\$ 80,220	\$ 11,207	\$ 5,775
Revenue				
Misc. Fees	98,741	135,000	150,000	150,000
Other	94,473	-0-	-0-	-0-
Total Revenue	\$193,214	\$135,000	\$150,000	\$150,000
Total Funds Available	\$295,478	\$215,220	\$161,207	\$155,775
Disbursements				
Chem. Lab	\$189,341	\$171,013	\$155,432	\$153,004
Administration	26,075	33,000	-0-	-0-
Total Disbursements	\$215,416	\$204,013	\$155,432	\$153,004
Adjustments	158	-0-	-0-	-0-
Year-end Balance	<u>\$ 80,220</u>	<u>\$ 11,207</u>	<u>\$ 5,775</u>	<u>\$ 2,771</u>

Microbiology Laboratory fees to fund the laboratory total \$34,566 in fiscal 1988 and \$39,113 in fiscal 1989.

ENVIRONMENTAL SCIENCES DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal	Fiscal	Fiscal	Fiscal	1987-89
	1986	1987	1988	1989	Biennium
F.T.E.	97.00	97.75	93.75	93.75	(4.00)
Personal Service	\$2,619,280	\$2,559,462	\$2,761,532	\$2,760,690	6.6
Operating Expense	2,051,580	4,487,618	2,248,553	2,246,696	(31.3)
Equipment	46,757	7,255	78,404	43,188	124.0
Total Operating Costs	\$4,717,617	\$7,054,335	\$5,088,489	\$5,050,574	(13.9)
Non-Operating Costs	1,045,444	1,296,655	1,167,348	1,205,362	1.3
Total Expenditures	<u>\$5,763,061</u>	<u>\$8,350,990</u>	<u>\$6,255,837</u>	<u>\$6,255,936</u>	<u>(11.4)</u>
Fund Sources					
General Fund	\$1,237,230	\$1,277,890	\$1,280,897	\$1,279,712	1.8
State Special	1,367,658	2,377,627	1,658,011	1,689,942	(10.6)
Federal Revenue	3,151,773	4,695,473	3,316,929	3,286,282	(15.9)
Other Funds	6,400	-0-	-0-	-0-	(100.0)
Total Funds	<u>\$5,763,061</u>	<u>\$8,350,990</u>	<u>\$6,255,837</u>	<u>\$6,255,936</u>	<u>(11.4)</u>
ISSUES:					
	Fiscal 1988		Fiscal 1989		
	General Fund	Other Funds	General Fund	Other Funds	
1. Junk Vehicle Account	N/A	N/A	N/A	N/A	
2. Subdivision					
Option A:	\$(33,549)	\$ -0-	\$(33,841)	\$ -0-	

The Environmental Sciences Division is responsible for ensuring a safe and healthful environment in the state. The division consists of division administration and five bureaus: 1) Solid and Hazardous Waste, 2) Air Quality, 3) Occupational Health, 4) Water Quality, and 5) Food and Consumer Safety. This division was not affected by the department reorganization.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 14
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	97.75	97.00	(0.75)
Personal Service	\$2,804,453	\$2,619,280	\$ 185,173
Operating Expense	3,299,812	2,051,580	1,248,232
Equipment	<u>47,415</u>	<u>46,757</u>	<u>658</u>
Total Operating Costs	\$6,151,680	\$4,717,617	\$1,434,063
Non-operating Expenses	<u>2,778,254</u>	<u>1,045,444</u>	<u>1,732,810</u>
Total Expenditures	<u>\$8,929,934</u>	<u>\$5,763,061</u>	<u>\$3,166,873</u>
<u>Funding</u>			
General Fund	\$1,274,492	\$1,237,230	\$ 37,262
State Special	3,326,851	1,367,658	1,959,193
Federal Revenue	4,328,591	3,151,773	1,176,818
Proprietary Funds	<u>-0-</u>	<u>6,400</u>	<u>(6,400)</u>
Total Funds	<u>\$8,929,934</u>	<u>\$5,763,061</u>	<u>\$3,166,873</u>

The difference in FTE is caused by the extension of the Clark Fork River monitoring project FTE to September 30 via a program transfer. In addition, the Occupational Health Bureau was authorized a 1.0 FTE x-ray inspector by the 1985 legislature, to be funded with fees collected. The position was never filled. The department transferred the entire \$41,072 in federal fund authority to the Health Services and Medical Facilities Division. The remainder of the difference in personal services is due primarily to vacancy savings in the Water Quality Bureau, where eight positions were vacant at some time during fiscal 1986, and in the Solid and Hazardous Waste Bureau, where several positions, including one Superfund position and the Underground Storage Tank Program personnel, were vacant all or most of fiscal 1986.

The difference in operating expenses is due to several major factors: 1) Within the Water Quality Bureau, \$95,000 in funds over the biennium were included for Cabin Creek conference expenditures. The program expended \$39,837 in fiscal 1986. Groundwater Pollution Control activities were anticipated to total \$92,778 in fiscal 1986, while actual expenditures totaled \$71,219. 2) Within the Solid and Hazardous Waste Bureau, Superfund Program expenditures were \$828,927 less than appropriated, and total Underground Storage Tank Program expenditures were \$137,710 less than appropriated.

Grants were underexpended for two primary reasons: 1) Division administration was appropriated authority of \$1,000,000 over the biennium for an environmental protection fund. The department was authorized to collect costs from any party responsible for hazardous waste spills and to spend moneys collected. No funds were deposited to or expended from the fund in fiscal 1986. 2) The department was directed in House Bill 500 to transfer \$500,000 from the junk vehicle account to the general fund in fiscal 1986, but did not do so until fiscal 1987. In addition, the

Water Quality Bureau expended \$89,734 less in grants than anticipated, and \$153,271 less in grants were expended in the Junk Vehicle Program than appropriated.

Current Level Adjustments

The following table shows FTE and funding for the Environmental Sciences Division by bureau. Following the table, current level adjustments are discussed for each bureau.

Table 15
Environmental Sciences Division - FTE and Funds
1989 Biennium

Bureau	FTE	Fiscal 1988			Fiscal 1989		
		Gen Fund	Other Funds	Total	Gen Fund	Other Funds	Total
Administration	2.50	\$ -0-	\$ 123,065	\$ 123,065	\$ -0-	\$ 123,256	\$ 123,256
Solid Hazardous Waste	22.00	73,293	2,662,939	2,736,232	74,201	2,677,887	2,752,088
Air Quality	18.50	320,657	634,146	954,803	320,657	629,079	949,736
Occupational Health	3.50	160,991	-0-	160,991	161,161	-0-	161,161
Water Quality	39.25	413,216	1,347,790	1,761,006	411,102	1,338,002	1,749,104
Food & Cons. Safety	8.00	312,740	207,000	519,740	312,591	208,000	520,591
Total	93.75	\$1,280,897	\$4,974,940	\$6,255,837	\$1,279,712	\$4,976,224	\$6,255,936

ENVIRONMENTAL SCIENCES DIVISION ADMINISTRATION

This office is responsible for overall administration, management, and coordination support for the Environmental Sciences Division.

A 0.5 FTE secretary was transferred to the Occupational Health Bureau, as the secretarial position in that bureau was deleted in response to the 5 percent cuts. All operating expenses of the Champion International environmental impact statement, totaling \$8,135, have been removed from current level.

This office is funded by resource indemnity trust interest funds and by junk vehicle funds, each totaling \$61,532 in fiscal 1988 and \$61,628 in fiscal 1989.

SOLID AND HAZARDOUS WASTE

The Solid and Hazardous Waste Bureau is responsible for licensing, inspection, and enforcement duties concerning the 200 waste disposal sites in the state; enforcement of federal and state hazardous waste statutes; and the junk vehicle recycling program. It consists of the Solid Waste, Junk Vehicle Recycling, Hazardous Waste, Underground Storage Tank, and Superfund Programs.

Within the Solid Waste Program, one-time printing costs of \$492 were deleted from current level. Travel and gas expenses were increased \$1,722, as reduced staffing reduced the base in fiscal 1986. Rent on the Billings office was increased \$517. Equipment includes \$868 for a typewriter in fiscal 1989.

Within the Junk Vehicle Program, \$100,000 was added as a contingency should the price of scrap fall and the department have to pay to remove excess junk vehicles from county graveyards. Equipment includes \$868 for a typewriter and \$300 for other office equipment in fiscal 1988 and \$288 for office equipment in fiscal 1989. Grants are made to counties to defray the cost of maintaining no-fee vehicle graveyards. Current level grant levels are set at the fiscal 1985 actual level, inflated by 5 percent, totaling \$740,274 in fiscal 1988 and \$777,288 in fiscal 1989. Actual grants totaled \$629,613 in fiscal 1986.

Within the Hazardous Waste Program, \$37,608 in consultant fees was removed from current level, as they consisted of special investigative studies. New requirements that small quantity hazardous waste generators dispose of their waste at licensed facilities will require more laboratory testing. Laboratory test fees have subsequently been raised \$30,000. Contracts with non-professionals was decreased by \$5,000, as a portion of testing expenses were expended in the MSU lab and will not be maintained. The program was not fully staffed in fiscal 1986. Travel and communication expenses have been raised \$2,000.

Equipment includes \$1,367 for miscellaneous office equipment, \$5,400 for field monitoring equipment in fiscal 1988, and \$5,000 to lease or purchase a used emergency response vehicle, \$5,500 to purchase a computer, and \$868 for a typewriter in fiscal 1989.

The Underground Storage Tank Program is a new program begun in late fiscal 1986. All underground storage tanks, which may number over 10,000, must be registered with the department of health. The first year of the program consists of program development, rule adoption, notification, and education. The second year of the program, which will begin in fiscal 1988, consists of on-going field investigations of potentially leaking tanks and of enforcement.

First year expenses totaled \$23,058, including 2.0 FTE. Current level includes an additional 1.0 FTE and operating expenses of \$129,426 in fiscal 1988 and \$109,134 in fiscal 1989.

Superfund

The Superfund Program provides for the investigation of uncontrolled hazardous waste dump sites, the development of cleanup options, and the determinations of the cost of each option. If the responsible party cannot be found who is financially liable for the necessary cleanup, Superfund monies are used. The match required on federal funds depends upon the stage the particular project is in, and ranges from 100 percent federally funded in the investigation stage, to 90 percent federal, 10 percent state in the remedial design and construction stage, to 100 percent state funded in the life cycle maintenance stage. Potential costs of maintenance vary from project to project. If the project is located on state land, the state's share of remedial and construction stage expenses rises to 50 percent and the state is obligated to maintain the cleanliness of the area. Projects located on non-state land do not carry an automatic state financial obligation.

Several projects are currently on the national priority list and are, therefore, eligible for Superfund monies. The department estimates that up to nine projects will be in the cleanup stage beginning in fiscal 1988, and will consequently require state match. State match is currently provided by 6 percent of the interest on the resource indemnity trust (RIT) fund, which also provides the match on the depart-

ment's hazardous waste and underground storage tank (UST) program activities. As shown in Table 16, RIT interest is expected to total \$413,036 over the biennium after all hazardous waste and UST program expenditures. Therefore, RIT could match at least \$3,717,324 in federal Superfund monies.

Table 16
Resource Indemnity Trust
Department of Health
Fiscal 1988-1989

	<u>FY 1988</u>	<u>FY 1989</u>
Total Funds Available	\$395,783	\$425,297
Disbursements		
Hazardous Waste	\$ 94,980	\$ 96,344
Underground Storage Tanks	45,229	38,179
Division Administration	66,610	66,702
Total Disbursements	<u>\$206,819</u>	<u>\$201,225</u>
Total Remainder	<u>\$188,964</u>	<u>\$224,072</u>

The department estimates that current projects could take up to \$6,500,000 in state match over the biennium. To fund this match, it will request that its share of the RIT interest funds be increased to 12 percent, and that the additional 6 percent be used either as cash match for federal funds or to provide debt service on the sale of bonds, the proceeds of which would be used as Superfund match. These funds, and the subsequent federal Superfund monies, would not appear in the department's budget, but would be budget amended as needed. The department is requesting that the 6 percent RIT funds currently budgeted be used, not strictly for Superfund activities, but to investigate sites not currently on the national priority list, either in an attempt to get them on the list or to start state sponsored cleanup, and for other special projects. This proposed use of the RIT funds represents a program expansion. Superfund has been maintained at the fiscal 1986 level in current level.

The following table shows funding of the programs of the Solid and Hazardous Waste Bureau in fiscal 1986, 1988, and 1989.

Table 17
Funding - Solid Waste Bureau

Program	Fiscal 1986	Fiscal 1988	Fiscal 1989	Match - Maintenance of Effort
Solid Waste General Fund	\$ 75,855	\$ 73,293	\$ 74,201	None
Junk Vehicle State JV	\$ 781,890	\$1,004,965	\$1,041,268	None
Hazardous Waste State RIT	\$ 77,453	\$ 94,980	\$ 96,344	25/75
Federal EPA	231,251	293,015	297,836	
Total	\$ 308,704	\$ 387,995	\$ 394,180	
Superfund State RIT	\$ 2,700	\$ 112,098	\$ 112,311	*
Federal EPA	1,049,773	973,121	973,925	
Total	\$1,052,473	\$1,085,219	\$1,086,236	
UST Junk Vehicle	\$ 1,581	\$ -0-	\$ -0-	25/75
State RIT	-0-	45,229	38,179	
Federal EPA	\$ 21,477	\$ 139,531	\$ 118,024	
Total	\$ 23,058	\$ 184,760	\$ 156,203	
Haz. Waste Transfer Sta. State RIT	\$ 115,000	\$ -0-	\$ -0-	None
TOTAL BUREAU	\$2,356,980	\$2,736,232	\$2,752,088	

*The Superfund match required depends upon the stage of work. For a further explanation, see page 21.

ISSUE 1: JUNK VEHICLE ACCOUNT

The Junk Vehicle Program provides for the disposal of junk vehicles and their recycling into new steel products. All passenger cars and trucks under 8,001 pounds GVW pay a junk vehicle license fee of \$0.50 on each licensed vehicle and an additional \$1.50 on each new vehicle and title transfer. These funds, plus all income from the sale of junk vehicles as scrap and from wrecking facility licenses, is deposited to the junk vehicle account. Funds in the account are used to fund the operating expenses of the Junk Vehicle Program. The following table shows revenues to and disbursements from the fund since fiscal 1982, anticipated fiscal 1987 revenues and disbursements, and current level for fiscal 1988 and 1989.

Table 18
Revenues and Disbursements - Junk Vehicle Account
Fiscal 1982 - 1989

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
Beg. Bal.	\$1,684,143	\$1,689,105	\$1,609,051	\$1,641,624	\$1,544,825	\$1,468,425	\$ 742,372	\$ 400,798
Revenues								
Wrecking Fac.	9,737	10,000	10,203	10,237	10,687	\$ 711,000*	730,000*	730,000*
JV Fee Trans.	253,745	273,551	287,835	273,409	267,724	-0-	-0-	-0-
JV Fee Rereg.	320,005	338,210	349,857	346,636	354,819	-0-	-0-	-0-
Sale of JV	132,411	(6,424)	90,564	59,697	82,666	-0-	-0-	-0-
Indirects	-0-	-0-	-0-	11,736	30,495	-0-	-0-	-0-
Total Revenue	\$ 715,898	\$ 615,337	\$ 738,459	\$ 701,715	\$ 746,391	\$ 711,000	\$ 730,000	\$ 730,000
Disbursements								
Junk Vehicle	\$ 117,473	\$ 119,886	\$ 131,687	\$ 143,540	\$ 152,277	\$ 850,000	\$ 264,690	\$ 263,979
JV Grants	582,839	555,662	574,165	705,023	629,613	-0-	740,274	777,288
Env. Sci. Adm.	16,759	18,201	22,167	20,393	53,395	57,053	66,610	66,702
Superfund	-0-	-0-	19	31,352	-0-	-0-	-0-	-0-
UST	-0-	-0-	-0-	-0-	1,581	-0-	-0-	-0-
Transfer to GF	-0-	-0-	-0-	-0-	-0-	500,000	-0-	-0-
Indirects	-0-	-0-	-0-	-0-	-0-	30,000	-0-	-0-
Total Disb.	\$ 717,071	\$ 693,749	\$ 728,038	\$ 900,308	\$ 836,866	\$1,437,053	\$1,071,574	\$1,107,969
Adjustments	6,135	(1,642)	22,152	101,794	14,075	-0-	-0-	-0-
Ending Bal.	\$1,689,105	\$1,609,051	\$1,641,624	\$1,544,825	\$1,468,425	\$ 742,372	\$ 400,798	\$ 22,829

*Estimate of total income

Actual grants to counties in the 1989 biennium to reimburse them for the costs of vehicle graveyard upkeep may be lower than contained in current level. Current level also includes a \$100,000 contingency amount should the price of steel fall to the level where the department would have to pay to have scrap vehicles hauled out of graveyards. However, as seen in the table, the fund has gone from a balance of \$1,689,105 in fiscal 1982 to a potential balance of \$22,829 in fiscal 1989, based on current level funding. Therefore, the fund has not been self-sufficient in recent years. In addition, while the fund will be solvent in the 1989 biennium, if income remains relatively stable, the fund could be in a deficit situation in the 1991 biennium. There are two options for returning the fund to financial equilibrium: 1) raise fees to increase income, or 2) cut costs of the program. A rise in fees of \$.25 on the current charges of \$.50 for all re-registration and \$1.50 for all title transfers and new cars would raise approximately \$250,000 each year of the biennium.

Option A: Raise the junk vehicle recycling fee to \$0.75 from the current \$0.50 per registered passenger car and truck under 8001 pounds GVW and to \$1.75 from the current \$1.50 on all new vehicles and transfers. This option would raise approximately \$250,000 in each fiscal 1988 and fiscal 1989 and return the fund to financial equilibrium.

Option B: Require the department of health to investigate the feasibility of reducing costs of the Junk Vehicle Program in the 1991 biennium and to submit a balanced budget to the 1989 legislature.

Option C: Take no action in this biennium.

AIR QUALITY BUREAU

The Air Quality Bureau is responsible for maintaining outdoor air quality levels considered safe to the public health and welfare through permit review, inspections, monitoring, and information dissemination.

A vacant 1.0 FTE environmental program supervisor was deleted from current level. One-time contracted services of \$1,091 were deleted from current level. Rent was reduced by \$862. There were increases for consultant fees of \$3,248, laboratory fees of \$9,522, and maintenance contracts of \$185. Equipment includes \$14,139 each year of the biennium to replace field data gathering equipment, \$8,652 each year to replace two vehicles in the Billings office, and \$4,000 for a computer and software.

Grants are made to qualified local governments to monitor their air quality. The Air Quality Bureau currently contracts with Yellowstone, Missoula, and Cascade Counties. Current level represents a 2.3 percent increase over the fiscal 1986 level of \$99,000.

The Air Quality Bureau is funded from three sources: 1) the Department of State Lands, which provides funding for a shared position, totaling \$35,631 in fiscal 1988 and \$35,873 in fiscal 1989; 2) a federal air quality grant totaling \$598,514 in fiscal 1988 and \$593,205 in fiscal 1989; and 3) general fund, which provides the required maintenance of effort on the federal air quality grant. The state must maintain a level of expenditure equal to the prior year's level. Current level is equal to the fiscal 1987 appropriated level of \$320,657 each year of the biennium.

OCCUPATIONAL HEALTH BUREAU

The Occupational Health Bureau is responsible for administering the Radiological and Occupational Health Programs. Primary emphasis is on the inspection of x-ray machines and the provision of measurement and technical expertise to ensure safety in homes and workplaces.

One FTE appropriated to the bureau by the 1985 legislature is not included in current level. The position was added to inspect x-ray machines in the state, funded by fees collected. The position was never filled, nor was a fee system initiated, and all authority appropriated was transferred to the Health Services and Medical Facilities Division in fiscal 1986. One FTE administrative assistant is deleted from current level in response to the 5 percent cuts, and 0.5 FTE of the division administration's secretary position is transferred to this bureau to assume some of the deleted position's duties.

The federal government formerly provided laboratory proficiency tests free of charge. This service will no longer be available and the bureau must now contract for this service. Current level has subsequently been increased \$800. Maintenance contracts for equipment purchased in fiscal 1986 has been increased by \$400, and consultant fees for a contracted librarian position have been increased by \$225.

Equipment has been increased 4 percent over the fiscal 1986 level to \$1,125, which will allow the bureau to purchase an Anderson microbial impactor with vacuum pump system.

The Occupational Health Bureau is funded with general fund, totaling \$160,991 in fiscal 1988 and \$161,161 in fiscal 1989.

WATER QUALITY BUREAU

The Water Quality Bureau is responsible for maintaining water quality standards and enforcing water quality statutes in the state. It consists of the Subdivision Review, Water and Wastewater Operator, Water Pollution Control, Groundwater Pollution Control, Permit Review, Water Quality Management, Safe Drinking Water, and Construction Grants Programs.

All fiscal 1986 expenses of the Cabin Creek project totaling \$39,833, the Yellowstone study totaling \$6,400, in-stream flow analysis funded with RIT and federal funds totaling \$20,958, and Clark Fork studies totaling \$62,089 were removed from current level, as they were special projects in the 1987 biennium.

The following is a description of current level adjustments by program.

Safe Drinking Water - No adjustments were made to current level personal services or operating costs. Equipment totals \$900 in fiscal 1988 and \$700 in fiscal 1989 for field equipment replacement and \$1,400 in fiscal 1988 for a computer.

Water Pollution Control - Laboratory testing expenses were increased by \$2,000 for surface water monitoring, special studies, and hydropower remedial activities, and \$15,000 was added to allow the department to continue the University of Montana's contracted monitoring activities of Flathead Lake. Rent was increased \$234. Secretary of State filing fees of \$1,000 were added in fiscal 1988 for anticipated rule changes. Equipment totals \$1,454 in fiscal 1988 for office and field equipment.

Water Permits - Consultant expenses were raised \$1,000 to allow monitoring for waste load allocations in the Clark Fork River and the Billings area, \$1,200 was added in fiscal 1988 and \$600 in fiscal 1989 for Secretary of State filing fees, laboratory fees were raised by \$1,257, and rent was raised \$879. Equipment includes \$400 in fiscal 1989 for a pH meter.

Water Quality Management - The University of Montana contract now in the Water Pollution Control Program was deleted from this program. Expenses totaled \$13,760 in fiscal 1986. Current level printing was reduced to \$700 at the department's request from the fiscal 1986 level of \$2,735. The program will print the 305 (b) report required by the federal Clean Water Act in fiscal 1986 at an additional cost of \$2,050. Postage was increased \$170 in fiscal 1989 to allow mailing of the report. Rent was increased \$168, while \$3,600 was added in fiscal 1988 and \$1,800 in fiscal 1989 for microinvertebrate samples in Hot Springs, Lewistown and Kalispell. Equipment includes \$1,500 in fiscal 1989 for field monitoring equipment.

Water and Wastewater Operators - Secretary of State filing fees were raised \$90.

Construction Grants - Laboratory testing fees were raised \$770 in fiscal 1988 and \$1,155 in fiscal 1989. Other contract services were raised \$2,090, supplies and materials were increased \$500, communications was increased \$600, travel was raised

\$2,550 and other expenses were raised \$1,000, due to increased activities. Rent was reduced \$197. Equipment includes training equipment of \$300 each year of the biennium and \$2,400 in fiscal 1988 for computer equipment.

Groundwater Pollution Control - Equipment includes \$400 in fiscal 1988 and \$2,500 in fiscal 1989 for office and field monitoring equipment, \$5,000 to purchase a used vehicle for equipment storage and hauling, and \$2,000 for a computer in fiscal 1988.

Subdivision Review - Laboratory testing fees of \$600 for water sample testing at subdivision sites were added, while one-time microfilm expenses totaling \$2,907 were eliminated and rent was reduced by \$175.

The following table shows grants of the Water Quality Bureau in fiscal 1986, 1987, 1988 and 1989.

Table 19
Water Quality Bureau - Grants
Fiscal Years 1986 through 1989

Grants	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
Safe Drinking Water	\$ 28,665	\$ 59,420	\$ 28,797	\$ 28,797
Construction Grants	35,120	40,000	40,000	40,000
Subdivisions	42,850	61,252	50,000	50,000
Total	<u>\$106,635</u>	<u>\$160,672</u>	<u>\$118,797</u>	<u>\$118,797</u>

Safe Drinking Water grants are made to local entities to perform sanitary surveys and to collect water samples at public water systems. Construction grants are made to local governments to begin water system planning and design in advance of federal program reimbursement. Subdivision grants are made to reimburse local governments with qualified personnel for minor subdivision review.

The following table shows funding of the Water Quality Bureau by program in fiscal 1986, 1988 and 1989.

Table 20
Water Quality Bureau - Funding
Fiscal Years 1986 through 1989

Program	Fiscal 1986	Fiscal 1988	Fiscal 1989	Match Maintenance of Effort 25% State, 75% Federal
Safe Drinking Water				
General Fund	\$ 96,996	\$ 95,459	\$ 95,111	
Federal SDW	290,983	310,929	309,878	
Total	\$ 387,979	\$ 406,388	\$ 404,989	
Water Pollution Control				1980 Level of Effort
General Fund	\$ 68,372	\$ 85,000	\$ 85,000	
Federal 106	234,631	283,473	281,323	
Total	\$ 303,003	\$ 368,473	\$ 366,323	
Water Quality Management				None
General Fund	\$ 86,473	\$ 92,560	\$ 90,502	
Federal 205(j)	106,864	100,464	100,500	
Total	\$ 193,337	\$ 193,024	\$ 191,002	
Construction Grants*				106 Funds Maintenance of Effort
Federal 205(g)	\$ 298,019	\$ 356,081	\$ 354,513	
Water Permits				Part of Water Pollution Control Requirement
Federal 106	\$ 133,406	\$ 147,869	\$ 147,938	
Groundwater Control				Part of Water Pollution Control Requirement
Federal 106	\$ 71,219	\$ 78,305	\$ 73,268	
Wastewater Operators				None
State Special	\$ 18,938	\$ 20,669	\$ 20,582	
Subdivisions				None
General Fund	\$ 123,124	\$ 140,197	\$ 140,489	
State Special	42,850	50,000	50,000	
Total	\$ 165,974	\$ 190,197	\$ 190,489	
Cabin Creek				None
Federal	\$ 39,837	\$ -0-	\$ -0-	
Instream Flow				None
State Special	\$ 4,191	-0-	-0-	
Federal	16,766	-0-	-0-	
Total	\$ 20,957	\$ -0-	\$ -0-	
Clark Fork				None
Federal	\$ 93,938	\$ -0-	\$ -0-	
TOTAL BUREAU	\$1,726,607	\$1,761,006	\$1,749,104	

ISSUE 2: SUBDIVISIONS FUNDING

The Subdivisions Review Program of the Water Quality Bureau provides review of all subdivision plans and construction of 20 acres or less to ensure that state statutes are upheld and standards met. The program also makes grants to counties with qualified personnel who perform inspections on sites of five acres or less. In the 1985 biennium, the program was funded entirely with developers' fees. Fee collection has been erratic in recent years, as shown in the following table.

Table 21
Subdivision Review Fees

<u>Fiscal Year</u>	<u>Collected</u>
1981	\$166,140
1982	176,401
1983	106,853
1984	200,755
1985	162,369
1986	127,370

In order to provide a more stable funding source and maintain a core staff in the Subdivisions Review Program, the 1985 legislature provided general fund totaling \$136,787 in fiscal 1986 and \$139,825 in fiscal 1987 for all operating costs of the program. Developers' fees continued to fund all grants to counties. All developers' fees paid in excess of grants to counties were to be deposited to the general fund. The following table shows expenses of the Subdivisions Review Program in fiscal 1986 and developers' fee reimbursement to the general fund.

Table 22
Subdivisions Review Fees and General Fund Deposits
Fiscal 1986

<u>Object</u>	<u>Fiscal 1986</u>
Operating Costs - General Fund	\$123,124
General Fund Deposit	84,945
Net General Fund Cost	<u>\$ 38,179</u>

As shown in the table, general fund subsidized 31 percent of the operating costs of the Subdivisions Review Program in fiscal 1986.

Developers' fees collected in any year are dependent upon the number of subdivisions requiring inspection. As shown in Table 21, income has been erratic. The following table shows developers' fees in the 1989 biennium, assuming a six year average collection, and compares this level with current level funding of the Subdivisions Review Program, including grants to counties.

Table 23
Anticipated Revenues - Current Level Disbursements
Subdivisions Review Program

<u>Object</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Anticipated Revenue	\$156,648	\$156,648
Current Level Op.	<u>190,197</u>	<u>190,489</u>
Difference	<u>\$(33,549)</u>	<u>\$(33,841)</u>

The issue to be considered is whether to continue to subsidize the Subdivisions Review Program with general fund, or to return to a developers' fee system. In those years when income was down, the department would be required to reduce expenditures. In years when income was up, excess developers' fees would either be carried forward or would be deposited in the general fund.

Option A: Return funding of the Subdivisions Review Program to developers' fees saving general fund of \$33,549 in fiscal 1988 and \$33,841 in fiscal 1989.

Option B: Subsidize the operations cost of the Subdivisions Review Program with general fund to the extent anticipated developers' fees are not expected to be sufficient for that purpose. This option would cost \$33,549 in fiscal 1988 and \$33,841 in fiscal 1989.

FOOD AND CONSUMER SAFETY

The Food and Consumer Safety Bureau is responsible for issuing licenses to food establishments, hotels, motels and trailer parks, and for training and support services to local health inspectors.

One FTE sanitarian position vacant in fiscal 1986 was eliminated from current level. Computer supplies were increased \$254 and maintenance contracts on computer equipment purchased in fiscal 1986 were increased \$400. Equipment of \$200 is for office equipment. Grants are made to local health inspection entities to defray their costs.

The Food and Consumer Safety Bureau is funded by general fund, which funds all operating costs, and by Local Board Inspection Fees, which funds all grants. All licensed establishments must pay an annual inspection fee of \$30, 85 percent of which goes into the Local Board Inspection Fee fund and 15 percent of which goes to the general fund.

HEALTH SERVICES AND MEDICAL FACILITIES DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	76.29	77.50	69.00	69.00	(8.50)
Personal Service	\$ 2,061,082	\$ 2,066,292	\$ 1,982,824	\$ 1,983,724	(3.9)
Operating Expense	2,204,934	6,831,581	2,044,926	2,052,500	(54.7)
Equipment	75,925	5,450	20,467	7,219	(66.0)
Total Operating Costs	\$ 4,341,941	\$ 8,903,323	\$ 4,084,217	\$ 4,043,443	(38.6)
Non-Operating Costs	9,541,954	3,925,534	7,506,811	7,705,313	13.0
Total Expenditures	<u>\$13,883,895</u>	<u>\$12,828,857</u>	<u>\$11,555,028</u>	<u>\$11,748,756</u>	<u>(12.8)</u>
Fund Sources					
General Fund	\$ 1,362,859	\$ 1,011,127	\$ 1,056,101	\$ 1,057,124	(11.0)
State Special	14,992	44,567	44,893	44,893	50.8
Federal Revenue	<u>12,506,044</u>	<u>11,773,163</u>	<u>10,454,034</u>	<u>10,646,739</u>	<u>(13.1)</u>
Total Funds	<u>\$13,883,895</u>	<u>\$12,828,857</u>	<u>\$11,555,028</u>	<u>\$11,748,756</u>	<u>(12.8)</u>
- - - - Fiscal 1988 - - - - - - - - Fiscal 1989 - - - -					
ISSUES:	General Fund	Other Funds	General Funds	Other Funds	
1. Genetics					
Option A:	\$ 507,000	\$ -0-	\$ -0-	\$ -0-	
Option B:	-0-	507,000	-0-	-0-	
2. Health Planning Bureau					
Option A:	(212,923)	-0-	(213,280)	-0-	
Option B:	(25,108)	-0-	(25,080)	-0-	
3. Licensing and Certification					
Option A:	262,196	352,816	258,056	348,596	
Option B:	190,039	424,973	187,455	419,197	
Option C:	57,150	125,476	57,085	125,330	

The Health Services and Medical Facilities Division is responsible for services designed to improve and preserve the health of Montanans. The division will be reorganized in fiscal 1988 and will consist of division administration and six bureaus: 1) Preventive Health, 2) Nursing, 3) Maternal and Child Health, 4) Emergency Medical Services, 5) Health Planning, and 6) Licensing and Certification.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 24
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	75.00	75.79	(0.79)
Personal Service	\$2,063,494	\$2,051,905	\$ 11,589
Operating Expense	7,179,584	2,197,607	4,981,977
Equipment	7,707	75,925	(68,218)
Total Operating Costs	\$ 9,250,785	\$4,325,437	\$4,925,348
Non-Operating Costs	4,637,926	9,421,488	(4,783,562)
Total Expenditures	<u>\$13,888,711</u>	<u>\$13,746,925</u>	<u>\$ 141,786</u>
<u>Funding</u>			
General Fund	\$ 1,386,560	\$ 1,362,859	\$ 23,701
State Special	45,172	14,992	30,180
Federal Revenue	12,456,979	12,369,074	87,905
Total Funds	<u>\$13,888,711</u>	<u>\$13,746,925</u>	<u>\$ 141,786</u>
<u>Additions</u>			
Budget Amendments	<u>\$ 161,340</u>	<u>\$ 136,970</u>	<u>\$ 24,370</u>

The difference in FTE was caused by the addition of 0.79 FTE to the Licensing and Certification Bureau via a program transfer. The total difference in personal services is due to vacancy savings, particularly in the Health Planning Bureau, where the staff has been gradually reduced in anticipation of the loss of federal funding.

Two primary factors influenced the large discrepancy in operating expenses: 1) \$73,000 fewer expenditures were made for vaccine in the Immunization Program in the Nursing Bureau than anticipated, and 2) the Special Supplemental Program for Women, Infants, and Children (WIC) was allocated \$4.9 million in food payments in fiscal 1986 under operating expenses (food payments). Food expenditures totaled \$4.44 million in fiscal 1986. However, the funds were expended as benefits and claims, which appear as part of the non-operating expense total. Therefore, operating expenses were significantly less than appropriated and grants significantly higher. Equipment was expended on computer equipment in the Licensing and Certification Bureau and on computers in the Clinical Bureau.

The underexpenditure in state special revenue is due to less expenditures in emergency medical technician testing and training than anticipated. The difference in federal funds is primarily due to the under expenditure in vaccine and to less expenditure than anticipated in the WIC and Child Nutrition Programs in the Clinical Bureau.

Reorganization

The following is a representation of the bureaus affected by the division's reorganization, the pre-fiscal 1988 configuration, and the fiscal 1988 and fiscal 1989 configuration.

Figure 1
Health Services and Medical Facilities Division Reorganization

----- Prior Configuration -----		
<u>Dental Bureau</u>	<u>Nursing Bureau</u>	<u>Clinical Bureau</u>
Dental Health Education and Risk Reduction	Administration Operations Communicable Disease Rabies Vaccine Immunization Sexually Transmitted Disease Family Planning	Administration Handicapped Children Child Nutrition WIC Perinatal Program Genetics Program
----- Reorganization -----		
<u>Nursing</u>	<u>Maternal and Child Health</u>	<u>Preventive Health</u>
Operations	Administration WIC Child Nutrition Family Planning Handicapped Children	Perinatal Program Dental Health Promotion and Education Immunization Sexually Transmitted Diseases Communicable Diseases Genetics Program Rape Crisis (from the Director's Office) End Stage Renal Disease (from the Director's Office) Grants to Counties (from the Director's Office)

Current Level Adjustments

The following table shows FTE and funding in the 1989 biennium by bureau. Following the table are descriptions of the current level adjustments for each bureau.

Table 25
Health Services and Medical Facilities Division - Funding
1989 Biennium

Bureau	FTE	Fiscal 1988			Fiscal 1989		
		Gen Fund	Other Funds	Total Funds	Gen Fund	Other Funds	Total Funds
Administration	1.75	\$ 34,573	\$ 34,500	\$ 69,073	\$ 34,699	\$ 34,500	\$ 69,199
Maternal/Child Health	22.50	30,982	9,114,638	9,145,620	31,055	9,307,302	9,338,357
Nursing	2.00	94,557	-0-	94,557	94,592	-0-	94,592
Preventive Health	13.00	224,841	716,414	941,255	224,958	712,594	937,552
Emergency Med. Serv.	8.20	287,127	211,024	498,151	287,650	215,328	502,978
Health Planning	5.50	212,923	-0-	212,923	213,280	-0-	213,280
Licensing & Cert.	16.05	171,098	422,351	593,449	170,890	421,908	592,798
Total	69.00	\$1,056,101	\$10,498,927	\$11,555,028	\$1,057,124	\$10,691,632	\$11,748,756

HEALTH SERVICES AND MEDICAL FACILITIES DIVISION ADMINISTRATION

This office provides overall supervision to the Health Services and Medical Facilities Division.

Rent was increased \$763 due to the reallocation of space.

This office is funded by a combination of Maternal and Child Health Block Grants, Preventive Health Block Grants, and general fund. Current level contains \$10,500 in fiscal 1988 and 1989 of Preventive Health funds and \$24,000 in fiscal 1988 and 1989 of Maternal and Child Health funds.

MATERNAL AND CHILD HEALTH BUREAU

The Maternal and Child Health Bureau has total administrative responsibility over the following programs: 1) Special Supplemental Food Program for Women, Infants, and Children (WIC), which provides food supplements to women of childbearing age and to children determined to be at nutritional risk, 2) Child Nutrition, which provides reimbursements to daycare providers for the costs of meals served, 3) Handicapped Children's Services (HCS), which provides medical payments to eligible families of children suffering certain handicapping conditions, and 4) Family Planning, which provides administrative assistance and grants to family planning offices throughout the state. As shown earlier, the bureau is made up of elements from the previous Nursing and Clinical Bureaus.

The following is a discussion of current level adjustments by program.

Administration - Rent was increased \$153, honorariums were reduced \$610 due to reduction in seminars, and one-time medical costs for Dental Program supplies totaling \$1,000 were eliminated. Grants are made to counties to provide services to children and to women of childbearing age. Grants are maintained at the fiscal 1986 level of \$685,417. Grants to counties were formerly contained in the Director's Office.

Child Nutrition - All adjustments made are at the request of the department. Contract services are increased by \$32,848, travel by \$482, and repair and

maintenance by \$352. Other expenses are reduced by \$48. Payments to daycare providers, which totaled \$2,270,164 in fiscal 1986, were previously made via grants. The payments will be made from a non-appropriated agency fund in the 1989 biennium.

Special Supplemental Program for Women, Infants and Children (WIC) - All adjustments made are at the request of the department. Contracted services were reduced a total of \$42,922, travel was reduced a total of \$540, repair and maintenance was reduced \$97, and relocation expenses were reduced \$500. Rent is increased by \$826. Benefit payments are anticipated to total \$4,799,325 in fiscal 1988 and \$4,991,298 in fiscal 1989, compared with a fiscal 1986 level of \$4,437,246. Grants to local agencies and to counties to administer the program, which totaled \$1,079,025 in fiscal 1986, total \$1,192,061 each year of the biennium. Equipment includes \$800 each year for centrifuges.

Handicapped Children's Services (HCS) - Consulting services are increased a total of \$5,666 due to the use of a greater number of medical clinics. Inspections and office repair expenses have been reduced \$2,000 at the department's request. Contract services have been increased \$229 to allow a 4 percent increase in the cost of braces and drugs. Data processing supplies have been increased \$572. Maintenance contracts for existing computer equipment totaling \$2,060 each year have been added.

Family Planning - A 0.5 FTE public health nurse has been deleted from current level at the department's request. Clinic and seminar expenses have been increased \$1,050 and payments to local sterilization programs have been increased \$400. Building repair costs of \$973 have been eliminated from current level. Equipment includes \$6,300 for one computer and software in fiscal 1986 and \$500 each year for films. Grants to local agencies total \$816,964 in fiscal 1988 and \$823,493 in fiscal 1989, compared with a fiscal 1986 total of \$797,320, excluding budget amended grant totals of \$120,466.

The following table shows each program, its funding source, fiscal 1986 expenditures and current level for fiscal years 1988 and 1989.

Table 26
Maternal and Child Health Bureau by Program

Program	Fiscal 1986	Fiscal 1988	Fiscal 1989
Administration			
General Fund	\$ 40,128	\$ 30,982	\$ 31,055
Maternal and Child Health*	98,790	105,000	105,000
Total	\$ 138,918	\$ 135,982	\$ 136,055
Grants to Counties**			
Maternal and Child Health	\$ 685,417	\$ 685,417	\$ 685,417
Child Nutrition			
Federal Child Nutrition	\$ 87,704	\$ 155,969	\$ 156,013
WIC			
Federal WIC	\$5,889,097	\$6,337,104	\$6,529,138
Family Planning***			
Federal Title X	\$ 772,307	\$ 814,747	\$ 814,749
Preventive Health	193,430	181,035	181,306
Maternal and Child Health	27,268	29,000	29,000
Total	\$ 993,005	\$1,024,782	\$1,025,055
Handicapped Children's Service			
Maternal and Child Health	\$ 797,536	\$ 806,366	\$ 806,679
TOTAL BUREAU	<u>\$8,591,677</u>	<u>\$9,145,620</u>	<u>\$9,338,357</u>

*State must match the total grant 3/7 to 4/7.

**Does not include legislative appropriation of \$139,247 in fiscal 1986.

***Fiscal 1986 does not include budget amendments totaling \$136,970.

NURSING BUREAU

The Nursing Bureau provides support services to local school and public health nurses.

One FTE public health consultant has been deleted due to the 5 percent cuts and pay plan funding. Travel has consequently been reduced \$504.

This bureau is entirely supported by general fund.

PREVENTIVE HEALTH BUREAU

The Preventive Health Bureau has administrative responsibilities for: 1) Montana Perinatal Program, which provides services directed towards improving the care of

mothers and babies, 2) Dental Program, which provides consultation and services designed to reduce tooth decay, 3) Communicable Disease, which provides surveillance and control of reportable infectious diseases, 4) Rabies Vaccine, which provides vaccine to rabies victims, 5) Health Promotion and Education, which manages resources and activities directed at promoting health and reducing disease, 6) Sexually Transmitted Disease, including AIDS activities, which provides services to reduce and eliminate sexually transmitted diseases, 7) Immunization, which provides vaccine to reduce the incidence of preventable childhood disease, 8) Genetics, operated by Shodair Hospital with a grant from the department of health, 9) Rape Crisis, which provides grants to rape crisis intervention programs, and 10) End Stage Renal Disease, which provides medical payments to victims of severe kidney disease.

All expenses of the AIDS emergency project totaling \$11,679 and HLTV (AIDS) project totaling \$3,784, as well as the Behavioral Risk Surveillance and Risk Appraisal projects totaling \$11,717, were removed from current level, as all were special projects which will be requested as modifieds in the 1989 biennium. All expenses of the Family Practice Residency totaling \$20,122 of general fund were also removed from current level, as this was a special appropriation by the 1985 legislature. A 0.5 FTE administrative aide position authorized by the 1985 legislature for fiscal 1987 in the Perinatal Program has been maintained in current level.

The following is a discussion of current level adjustments by program. Table 27 shows each program's funding source, actual fiscal 1986 expenditures, and current level for fiscal years 1988 and 1989.

Perinatal Program - contracted services have been reduced \$6,500 and educational supplies have been reduced \$2,478 in order to fund a 0.5 FTE administrative aide position requested by the department. Equipment includes \$5,573 in fiscal 1988 for a computer and software.

Dental Program - A 0.4 FTE administrative clerk position is deleted due to the 5 percent cuts and pay plan funding. Supplies totaling \$6,388 are included to allow purchase of fluoride and toothbrushes.

Health Promotion and Education - Grants include \$1,074 in support of the Rocky Mountain Health Promotion Conference.

Immunization - Maintenance of \$383 is included on computer equipment acquired in fiscal 1987. Federally funded vaccine has been increased to \$140,881 each year of the biennium from the fiscal 1986 level of \$39,991.

Sexually Transmitted Diseases - Equipment includes \$327 each year for films.

Communicable Disease - No adjustments were made to current level.

Rape Crisis - Grants are maintained at the fiscal 1986 level of \$11,970. The state must expend this level on rape crisis grants to remain eligible for the Preventive Health Block Grant.

Rabies Vaccine - No adjustments were made to current level.

End Stage Renal Disease - Current level is maintained at the fiscal 1987 appropriated level of \$125,000.

Genetics - The Genetics Program is not included in current level. For a further discussion, see Issue 3.

Table 27
Preventive Health Bureau Funding
Fiscal Years 1986 through 1989

Program	Fiscal 1986	Fiscal 1988	Fiscal 1989
Perinatal Program			
MCH Block *	\$ 94,144	\$139,106	\$135,851
PH Block	<u>96,529</u>	<u>68,457</u>	<u>66,615</u>
Total	\$190,673	\$207,563	\$202,466
Dental Program			
General Fund	\$ 24,909	\$ 21,238	\$ 21,222
MCH Block	57,997	41,282	41,479
PH Block	<u>-0-</u>	<u>19,850</u>	<u>19,850</u>
Total	\$ 82,906	\$ 82,370	\$ 82,551
Health Promotion & Ed.			
PH Block	\$ 47,869	\$ 48,088	\$ 48,184
Immunization			
General Fund	\$ 19,208	\$ 23,112	\$ 23,144
Federal Immunization **	<u>160,641</u>	<u>265,817</u>	<u>266,506</u>
Total	\$179,849	\$288,929	\$289,650
Sexually Transmitted Diseases			
General Fund	\$ 11,946	\$ 12,532	\$ 12,549
Federal STD **	<u>67,436</u>	<u>73,183</u>	<u>73,311</u>
Total	\$ 79,382	\$ 85,715	\$ 85,860
Rabies Vaccination			
Rabies	\$ 47,528	\$ 48,661	\$ 48,828
Communicable Disease			
General Fund	\$ 42,786	\$ 42,959	\$ 43,043
Rape Crises			
PH Block	\$ 11,970	\$ 11,970	\$ 11,970
End Stage Renal Disease	<u>\$122,500</u>	<u>\$125,000</u>	<u>\$125,000</u>
TOTAL BUREAU	<u>\$805,463</u>	<u>\$941,255</u>	<u>\$937,552</u>

*State must match total federal grant 3/7 to 4/7.

**State match - 20 percent of personal services and travel.

ISSUE 3: GENETICS PROGRAM

The 1985 legislature passed a law establishing a statewide genetics counseling, education and testing program within the department of health. The department currently contracts with Shodair Hospital in Helena for this service. The program is funded with general fund totaling \$507,000 over the biennium, and offset by a \$0.45 charge on health insurers for each Montana resident insured. The charge on health insurers will end on June 30, 1987. A total of \$344,150 was collected from health insurers in fiscal 1986, according to the State Auditor, while \$320,000 is expected in fiscal 1987.

The state funds are used in several programs, including the in-house clinical genetics program, the genetic field clinic program, fetal pathology, the genetic education and birth defects library, and cytogenetics and cell biology. According to Shodair Hospital, state funds are used in those instances when third-party payments do not meet total costs or are not available. The following table shows a breakdown of expenses in fiscal 1986 as submitted by Shodair.

Table 28
Expenditures - Montana Genetics Program
Fiscal 1986

<u>Object of Expenditure</u>	<u>Fiscal 1986</u>
Personnel	\$191,810
Travel	12,400
Supplies	41,297
Equipment	6,943
Consultants	3,220
Education	2,202
Library Use	6,169
Total	<u>\$264,041</u>

Option A: Maintain funding of the voluntary genetics program at the 1987 biennium level of \$507,000 of general fund.

Option B: Maintain funding of the voluntary genetics program at the 1987 biennium level and continue to offset costs of the program with a charge on insurance policies.

Option C: Do not continue the program.

EMERGENCY MEDICAL SERVICES

The Emergency Medical Services (EMS) Bureau is responsible for planning, implementation, and coordination of statewide emergency medical services; managing the ambulance licensing program; providing training and certifying emergency medical technicians; and administering the Montana Poison Control System.

One FTE administrative aide position and a 0.15 FTE administrative clerk position are deleted from current level due to the 5 percent cuts and pay plan funding.

Expenses for a contract with the Rocky Mountain Poison Center were increased \$9,733 in fiscal 1988 and \$14,100 in fiscal 1989. Honorarium, clinic and seminar, and educational expenses have been increased \$30,401. The expenses are associated with emergency medical technician training and certification and are funded with fees. An increase in activity is anticipated in the 1989 biennium. Rent was increased \$557 due to a reallocation of rental costs. One-time printing of \$592 was deleted from current level. Equipment includes \$2,900 in fiscal 1988 and \$5,000 in fiscal 1989 for replacement equipment and \$2,100 in fiscal 1988 for defibrillator equipment.

This bureau is funded by a combination of general fund, Preventive Health Block Grant, and state Emergency Medical Technician (EMT) funds, which are fees paid by emergency medical technicians for training and certification costs. EMT funds total \$44,893 in fiscal 1988 and fiscal 1989 due to an anticipated increase in certification and training activities. Preventive Health Block funds total \$166,131 in fiscal 1988 and \$170,435 in fiscal 1989.

HEALTH PLANNING BUREAU

The Health Planning Bureau produces the state health plan and related plans; administers the Certificate of Need Program; and collects, maintains, and distributes health facility service and manpower data.

All adjustments to current level, totaling \$31,449 in operating cost reductions and the elimination of 2.5 FTE, are at the request of the agency. This bureau was formerly funded with federal health planning funds and general fund. However, federal fund support will end by the beginning of fiscal 1988. The department has reduced FTE and expenditures in anticipation of that loss of funding and is requesting that all remaining services be general funded. For a further discussion, see Issue 4.

ISSUE 4: HEALTH PLANNING BUREAU

The Health Planning Bureau has three primary functions: 1) administration of the certificate of need program, which determines whether proposed medical facility construction or expansion is appropriate and necessary, 2) production of the state health plan and related plans, which are used in the certificate of need process, and 3) collection, maintenance and distribution of health facility, service and manpower data.

This bureau was funded by a combination of federal health planning funds and general fund prior to fiscal 1987. The federal program and all federal funding were eliminated in fiscal 1987. The department is requesting the continued funding of the bureau at a lower level of operations. In addition, 0.5 FTE of the 1.0 FTE division administrative officer position and 0.25 FTE of the division administrator position have been funded from this bureau. The department is requesting that the total 0.75 FTE of the two positions be funded with general fund in division administration. The following table shows the 1987 biennium appropriations and current level in the 1989 biennium.

Table 29
Health Planning Bureau - Appropriation and Current Level

Funding	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
General Fund	\$126,401	\$125,435	\$212,923	\$213,280
Federal Funds	213,258	213,916	-0-	-0-
Total	<u>\$339,659</u>	<u>\$339,351</u>	<u>\$212,923</u>	<u>\$213,280</u>

Federal law had required minimum state certificate of need statutes and standards in order to qualify for federal funds. All federal health planning was abolished on November 14, 1986. Therefore, states are no longer required to have certificate of need laws or other health planning activities. The continuance of these activities is now at the discretion of the states.

Current Montana Statutes

Montana statutes require that before any existing medical facility can be expanded or a new facility built, and before major equipment purchases are made, persons responsible must apply for and hold a certificate of need issued by the department of health. Montana's certificate of need law will expire on June 30, 1987. The department of health is required to use the state medical facility plan, established in Section 50-5-402, MCA, in certificate of need review. A council appointed by the governor, the Statewide Health Coordinating Council, is responsible for the content of the plan, which is given final approval by the governor.

Potential Cost Reductions

There are two general areas of general fund cost reduction: elimination of the bureau and a reduction of costs within the bureau.

Elimination of Bureau - Two states in the region have repealed their certificate of need laws: Arizona and Utah. Arizona has experienced an increase in certain health care facilities, particularly nursing home beds, and consequently a rise in medicaid costs. Utah has experienced an increase in the number of hospital beds and nursing home beds built as well, although the state has not quantified whether a corresponding rise in medicaid costs has taken place. No full studies have been conducted showing the impact on accessibility to health care facilities, particularly in rural areas, or on health care costs in general.

Reduction of Costs within Bureau - A number of options are available for reducing costs within the Health Planning Bureau.

1) Discontinue funding the Statewide Health Coordinating Council, saving \$4,256 each year of the biennium. This council consists of health care providers and consumers and advises the governor and the department of health on health needs. The council is in existence until September 1, 1987, by executive order. The requirement that the state have this council was contained in federal law.

2) Reduce or eliminate the division administrative officer position, or require that 0.5 FTE of this position be funded from other fund sources within the division, such as federal family planning and women, infants and children (WIC) funds, saving \$20,852 in fiscal 1988 and \$20,824 in fiscal 1989.

3) Reduce printing of the state health plan or charge a price equal to the printing cost.

Option A: Discontinue funding of the Health Planning Bureau at a general fund savings of \$212,923 in fiscal 1988 and \$213,280 in fiscal 1989. Discontinuance of certificate of need and health planning activities would require the repeal of Section 50-5-401 through 411, MCA.

Option B: Maintain funding of the Health Planning Bureau, but take some cost reduction measures within the bureau.

Option C: Maintain funding of the Health Planning Bureau at current level.

LICENSING AND CERTIFICATION

The Licensing and Certification Bureau issues licenses, grants medicaid certification, and recommends medicare certification for a variety of health care providers. The bureau is also responsible for legal enforcement duties concerning state, local, and federal laws governing health care providers.

A 0.3 FTE administrative clerk position has been deleted from current level due to the 5 percent cuts and pay plan funding. The pharmacy surveyor position has been downgraded from a grade 15 to a grade 14.

A portion of the expenses of the department's family planning lawsuit was expended from this program due to the availability of general fund. Expenses totaling \$58,181 have been deleted from current level. Repair and maintenance was increased \$500 for maintenance contracts on equipment purchased in fiscal 1986. Equipment consists of \$875 for a typewriter and \$500 for software.

This bureau is funded with general fund and with federal Title 18 (medicare) and Title 19 (medicaid) funds. All state licensing functions are supported by general fund, all medicaid certification functions are supported by Title 19 funds with a general fund match of 25 percent on all personal services and travel and 50 percent on other expenses. All medicare certification functions are supported by Title 18 funds.

The level of expenditures incurred and the time spent in regards to each function are dependent upon the requirements in any given year. Therefore, general fund required may change each year depending upon the number of licensing inspections conducted in relation to the certification functions conducted, and the number of medicaid certifications in relation to medicare certifications. Therefore, if the department's activities were evenly split among the three functions, general fund would total 44 percent of the total funds expended. The following table shows actual fiscal 1986 expenditures by funding source, minus the general funded family planning lawsuit expenses and computer purchases.

Table 30
Licensing and Certification Bureau

	General Fund	Title 19	Title 18	Total
Total Fiscal 1986	\$243,756	\$121,116	\$266,018	\$630,890
Lawsuit	(58,182)	-0-	-0-	(58,182)
Computer	(12,637)	-0-	-0-	(12,637)
Total	<u>\$172,937</u>	<u>\$121,116</u>	<u>\$266,018</u>	<u>\$560,071</u>
Percent of Total	30.9	21.6	47.5	100.0

As shown in Table 30, general fund accounted for 30.9 percent of total expenditures in fiscal 1986. This allocation has been maintained in the 1989 biennium. The following table shows current level funding in the 1989 biennium. The table includes indirect costs totaling \$12,974 in fiscal 1988 and \$12,981 in fiscal 1989 for medicaid funds, and \$26,761 in fiscal 1988 and \$26,775 in fiscal 1989 for medicare funds.

Table 31
Licensing and Certification - Funding

Fund Source	Fiscal 1988	Fiscal 1989
General Fund	\$171,098	\$170,890
Title 19 Medicaid	132,576	132,438
Title 18 Medicare	<u>289,775</u>	<u>289,470</u>
Total Funding	<u>\$593,449</u>	<u>\$592,798</u>

ISSUE 5: LICENSING AND CERTIFICATION BUREAU

The department is requesting 15 new surveyor positions, plus a 1.0 FTE building construction consultant and 2.5 FTE support staff in the Licensing and Certification Bureau, at a requested general fund cost of \$262,196 in fiscal 1988 and \$258,056 in fiscal 1989, which totals 42.6 percent of the total cost of the expansion in personnel of \$615,012 in fiscal 1988 and \$606,652 in fiscal 1989. The remainder of the expansion would be funded with federal medicare and medicaid funds.

The requested expansion is due to two factors: 1) a perceived inability of the bureau to perform surveys in a timely manner by the federal authorities; and 2) a change in federal certification inspection requirements, that took effect in July of 1986, to a patient outcome oriented inspection. While the prior regulations focused on written policies and procedures, staff qualifications and functions, and similar standards, the new requirements focus on an evaluation of whether or not a high degree of care is being provided. The state must consequently conduct an expanded review, including facility tours, interviews with residents, and observation of various

functions of the facility to assess their adequacy and appropriateness. If the standard of certification inspection does not meet federal guidelines, the federal government will not accept the findings of the state and facilities could face the loss of medicaid and medicare funding. State licensing requirements have not changed. However, the state uses the federal standards in all licensing functions.

The federal Health Care Financing Administration has approved funding for 6.5 FTE in fiscal 1987 to meet increased workload due to the new regulations and has indicated it expects further increases, although funds for further increases are not certain. The bureau, not the federal government, determined the level of staffing requested.

- Option A: Fund the expansion of FTE using the department's funding split. This option would cost \$262,196 in general fund and \$352,816 in federal fund in fiscal 1988 and \$258,056 in general fund and \$348,596 in federal funds in fiscal 1989.
- Option B: Fund the expansion of FTE using the actual funding split of the department in fiscal 1986, or 30.9 percent general fund, 69.1 percent federal funds. This option would cost \$190,039 in general fund and \$424,973 in federal funds in fiscal 1988 and \$187,455 in general fund and \$419,197 in federal funds in fiscal 1989.
- Option C: Fund the expansion in FTE at the number approved by the federal government and for which funds are certain. This option would cost \$57,150 in general fund and \$125,476 in federal funds in fiscal 1988 and \$57,085 in general fund and \$125,330 in federal funds in fiscal 1989, using the funding split contained in current level.
- Option D: Do not fund the expansion in FTE.

EMPLOYMENT SERVICES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	----- Biennium ----- General Fund	----- Total Funds
Executive Budget	594.40	\$2,145,505	\$61,078,265
LFA Current Level	<u>607.40</u>	<u>1,870,492</u>	<u>58,484,938</u>
Executive Over (Under) LFA	<u>(13.00)</u>	<u>\$ 275,013</u>	<u>\$ 2,593,327</u>

The difference between the executive and LFA current level is primarily due to two factors: 1) reductions by the executive in FTE due to pay plan, and 2) the addition by the executive of \$2,052,820 in modifications over the biennium, including \$200,000 of general fund. The following is a discussion of the major differences between the executive and LFA current level budgets.

ISSUE 1: FTE PAY PLAN REDUCTIONS

The executive has deleted a total of 13 positions due to pay plan funding that are retained in LFA current level, including 5 FTE in Job Service, 6 FTE in Unemployment Insurance, and 2 FTE in Centralized Services. Consequently, LFA current level contains \$406,606 more in personal services expenses over the biennium in these three programs than does the executive.

ISSUE 2: JOB SERVICE: SPECIAL COMPUTER RUN

The Job Service conducted a special computer run for the federal government in fiscal 1986 totaling \$139,441. LFA current level deletes this expense, while the executive maintains the expense both years of the biennium. Job Service requested the continuation of the expense.

ISSUE 3: EMPLOYMENT POLICY CONTRACT SERVICES EXPANSION

The executive includes \$77,000 each year of the biennium for outside audit expenses to monitor compliance with federal regulations and \$107,000 each year of the biennium for a program to follow-up federal program participants. LFA current level contains neither of these expansions.

ISSUE 4: HUMAN RIGHTS COMMISSION FEDERAL FUNDING LEVEL

The executive has assumed a lower level of federal fund reimbursement than is included in LFA current level. LFA current level assumes the same percentage contribution of federal funds as occurred in fiscal 1986. Consequently, the executive includes \$25,342 more general fund over the biennium than does LFA current level. LFA current level includes \$26,126 more federal funds than does the executive. The difference is due to differences between the executive and LFA current level in total allocated operating expenses.

ISSUE 5: JOB TRAINING PARTNERSHIP ACT PROGRAM MODIFICATION

The executive has included a modification of \$1,852,820 in federal funds over the biennium to expand the Summer Youth Program, which provides subsidized employment to youth. LFA current level does not include this modification.

ISSUE 6: GENERAL ASSISTANCE TRAINING - DAYCARE

The executive includes \$200,000 of general fund over the biennium to contract with two or three sites to provide initial child care to former Aid to Families with Dependent Children (AFDC) clients who are employed. LFA current level does not contain this new program.

EMPLOYMENT SERVICES

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	614.67	623.40	607.40	607.40	(16.00)
Personal Service	\$13,861,097	\$14,623,654	\$14,757,363	\$14,751,282	3.6
Operating Expense	4,260,313	4,113,848	6,381,306	6,265,733	51.0
Equipment	736,509	446,717	264,945	217,463	(59.2)
Total Operating Costs	\$18,857,919	\$19,184,219	\$21,403,614	\$21,234,478	12.1
Non-Operating Costs	8,265,185	7,514,000	7,706,093	8,140,752	0.4
Total Expenditures	\$27,123,104	\$26,698,219	\$29,109,707	\$29,375,230	8.7
=====					
Fund Sources					
General Fund	\$ 1,335,938	\$ 872,250	\$ 943,553	\$ 926,939	(15.3)
State Special	3,250	3,250	4,000	4,000	23.1
Federal Revenue	25,782,607	25,819,219	25,499,870	25,851,398	(0.5)
Other	1,309	3,500	2,662,284	2,592,893	109,178.0
Total Funds	\$27,123,104	\$26,698,219	\$29,109,707	\$29,375,230	8.7
=====					
ISSUES:					
	- - - - - Fiscal 1988 - - - - -		- - - - - Fiscal 1989 - - - - -		
	General Fund	Other Funds	General Fund	Other Funds	
1. General Assistance					
Training Program	\$ -0-	\$ -0-	\$ -0-	\$ -0-	

Employment Services enforces state wage and hour laws, provides for apprenticeships, hears classification and unemployment insurance disputes, and enforces state and federal anti-discrimination in employment laws. The department also collects and disburses state unemployment funds, acts as an employment agency, provides training, and oversees federal Job Training Partnership Act (JTPA) grants. It is comprised of: 1) Job Service, 2) Unemployment Insurance, 3) Centralized Services, 4) Job Training and Partnership Act, 5) Employment Relations, 6) Employment Policy, 7) Commissioner's Office, and 8) Human Rights.

The department reorganized in the 1987 biennium. The following table illustrates the prior and current configuration of the department. The table only includes those programs affected by the reorganization.

Table 1
Reorganization Chart

<u>Prior Configuration</u>	<u>Current Configuration</u>
Standards Division Labor Standards Apprenticeship	Employment Policy JTPA Staff Apprenticeship Research and Analysis
Centralized Services Research and Analysis Audit	Employment Relations Appeals Investigations (Standards) Audit
Appeals Division Personnel Appeals Unemployment Insurance Appeals	
Job Service JTPA Staff	

Indirect Costs

Centralized Services and the Commissioner's Office are both funded by charges made to programs within the department, including the Division of Workers' Compensation. Prior to fiscal 1988, certain indirect charges were made directly on a funding source. These charges were not budgeted for nor did they appear as expenses in any program. In the 1989 biennium, all indirect charges made will be budgeted and will appear as expenses. Major changes will appear in the narrative in the relevant programs.

General Assistance

The department of labor is the contracting agency to administer and evaluate the General Assistance Training Program, which provides the statutorily required job training for general assistance recipients. There were no expenses in the program in fiscal 1986. However, expenses are anticipated to total \$733,396 in fiscal 1987. Current level contains no funds for this program, as the Department of Social and Rehabilitation Services is requesting grant funds in a modified. For further discussion, see Issue 1 on page 19.

JOB SERVICE					
<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	342.00	346.00	343.0	343.0	(3.00)
Personal Service	\$7,678,830	\$ 8,090,723	\$ 8,283,723	\$ 8,279,230	5.0
Operating Expense	1,782,295	1,492,406	2,628,067	2,603,731	59.8
Equipment	375,525	355,251	156,506	156,506	(57.2)
Total Operating Costs	\$9,836,650	\$ 9,938,380	\$11,068,296	\$11,039,467	11.8
Non-Operating Costs	33,724	80,000	70,000	175,540	115.9
Total Expenditures	\$9,870,374 =====	\$10,018,380 =====	\$11,138,296 =====	\$11,215,007 =====	12.4 =====
<u>Fund Sources</u>					
Federal Revenue	\$9,870,374 =====	\$10,018,380 =====	\$11,138,296 =====	\$11,215,007 =====	12.4 =====

Job Service acts as a labor exchange through the job service offices throughout the state by listing jobs and referring qualified personnel to employers.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	345.00	342.00	3.00
Personal Service	\$ 8,089,912	\$7,678,830	\$ 411,082
Operating Expense	1,492,406	1,782,295	(289,889)
Equipment	355,251	375,525	(20,274)
Total Operating Costs	\$ 9,937,569	\$9,836,650	\$ 100,919
Non-Operating Costs	80,000	33,724	46,276
Total Expenditures	\$10,017,569 =====	\$9,870,374 =====	\$ 147,195 =====
<u>Funding</u>			
Total Funds	\$10,017,569 =====	\$9,870,374 =====	\$ 147,195 =====

The difference in FTE is caused by the transfer of 3.0 FTE to the Division of Workers' Compensation. No funds were transferred with the FTE. The difference in personal services is due to vacancy savings.

The difference in operating expenses takes place primarily in contracted services, where data processing charges and technical assistance to Job Training Partnership Act programs exceeded the anticipated level. Education and training expenses were expected to total \$80,000. Actual expenses totaled \$20,080. The difference in grants is due to a lower number of WIN eligible persons served in job service offices than originally anticipated.

Current Level Adjustments

The addition of 1.0 FTE from the fiscal 1986 level is due to the addition in fiscal 1987 of 1.0 FTE for work incentive (WIN) functions.

Training expenses were raised \$44,437 to allow management training. Janitorial services were raised \$36,270, as the contract for maintenance of local job service offices was increased. Maintenance contracts on existing equipment purchased in the 1987 biennium were increased \$47,684. A special computer run for the federal government expended \$139,441 in fiscal 1986 and has been deleted from current level. Under the change in accounting for indirect costs, indirects were raised from a fiscal 1986 level of \$135,656 to \$1,059,431 in fiscal 1988 and \$1,028,300 in fiscal 1988.

Equipment includes \$60,000 for data processing equipment, \$59,400 for telephone upgrades, \$5,000 for computer software, and \$32,102 for office equipment each year, all for local job service offices.

Non-Operating Costs

Grants, which total \$40,000 each year of the biennium, are federal Work Incentive (WIN) Grants, which are primarily made to employers for on-the-job training costs of WIN eligible workers.

Funds for special building projects totaling \$30,000 in fiscal 1988 and \$135,540 in fiscal 1989 were added to current level.

Funding

Job Service is completely supported by Wagner-Peyser, Work Incentive (WIN), and other federal funds.

UNEMPLOYMENT INSURANCE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	94.90	93.90	94.90	94.90	1.00
Personal Service	\$1,899,696	\$1,987,238	\$2,034,579	\$2,033,766	4.7
Operating Expense	745,968	574,618	1,500,078	1,480,501	125.7
Equipment	197,997	83,923	54,939	54,939	(61.0)
Total Operating Costs	\$2,843,661	\$2,645,779	\$3,589,596	\$3,569,206	30.4
Non-Operating Costs	49,321	-0-	-0-	-0-	(100.0)
Total Expenditures	<u>\$2,892,982</u>	<u>\$2,645,779</u>	<u>\$3,589,596</u>	<u>\$3,569,206</u>	<u>29.2</u>
<u>Fund Sources</u>					
Federal Funds	<u>\$2,892,982</u>	<u>\$2,645,779</u>	<u>\$3,589,596</u>	<u>\$3,569,206</u>	<u>29.2</u>

Unemployment Insurance is responsible for the administration of state and federal unemployment insurance laws. It collects unemployment insurance taxes and makes payments to eligible recipients. Unemployment Insurance also manages the unemployment insurance trust fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	93.90	94.90	(1.00)
Personal Service	\$1,984,976	\$1,899,696	\$ 85,280
Operating Expense	563,973	745,968	(181,995)
Equipment	98,674	197,997	(99,323)
Total Exp. & Fed. Funding	<u>\$2,647,623</u>	<u>\$2,843,661</u>	<u>\$(196,038)</u>
<u>Additions</u>			
Budget Amendments	<u>\$ 100,000</u>	<u>\$ 49,321</u>	<u>\$ 50,679</u>

One FTE was transferred to this program from Centralized Services, causing the difference in FTE. Transferred with the FTE was \$15,562 in personal services. Program transfers totaling \$182,159 for data processing costs were made to this program, allowing the overexpenditure in operating expenses.

Equipment was over expended on office and computer equipment.

Current Level Adjustments

Consulting and professional services were reduced \$24,581 to \$100,000 each year of the biennium. The services are for special projects funded by the federal government and represent the anticipated level. Maintenance contracts on computer equipment were raised \$4,962. Due to the change in accounting for indirect charges, indirects total \$816,914 in fiscal 1988 and \$809,281 in fiscal 1989, compared with a fiscal 1986 total of \$30,436.

Equipment includes \$41,139 for computer equipment, \$7,300 for office equipment, and \$6,500 for software in each year of the biennium.

Funding

Unemployment Insurance is entirely funded by federal unemployment insurance administrative funds.

CENTRALIZED SERVICES

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	72.1	79.0	68.00	68.00	(11.00)
Personal Service	\$1,568,659	\$1,816,875	\$1,727,645	\$1,726,734	2.0
Operating Expense	699,994	748,085	757,112	706,534	1.1
Equipment	105,065	7,543	23,100	5,000	(75.0)
Total Operating Costs	\$2,373,718	\$2,572,503	\$2,507,857	\$2,438,268	0.0
Non-Operating Costs	272,602	-0-	-0-	-0-	(100.0)
Total Expenditures	\$2,646,320	\$2,572,503	\$2,507,857	\$2,438,268	(5.2)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
Federal Funds	\$2,373,718	\$2,572,503	\$ -0-	\$ -0-	(100.0)
Proprietary Funds	272,602	-0-	2,507,857	2,438,268	1714.1
Total Funds	\$2,646,320	\$2,572,503	\$2,507,857	\$2,438,268	(5.2)
	=====	=====	=====	=====	=====

Centralized Services provides overall management and support services to the Department of Labor and Industry, including legal assistance, personnel hiring and training, data processing, and budgeting.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	79.00	72.10	6.90
Personal Service	\$1,815,761	\$1,568,659	\$ 247,102
Operating Expense	725,166	699,994	25,172
Equipment	73,077	105,065	(31,988)
Total Operating Costs	\$2,614,004	\$2,373,718	\$ 240,286
Non-Operating Costs	-0-	272,602	(272,602)
Total Exp. and Federal Funds	<u>\$2,614,004</u>	<u>\$2,646,320</u>	<u>\$ (32,316)</u>

The difference in FTE is caused by the transfer of 1.0 FTE to Unemployment Insurance and 5.9 FTE to the Division of Workers' Compensation. Personal services totaling \$142,923 were transferred from this program. The remainder of the difference in personal services is due to vacancy savings. Non-operating costs consisted of debt service payments.

The overexpenditure in equipment is due to higher than anticipated expenditures for computer equipment.

Current Level Adjustments

Non-operating expenses consisted of non-budgeted debt service and transfer expenses and have been removed from current level. Payroll service fees, which had totaled \$24,629 in fiscal 1986, were increased to \$34,347 in fiscal 1988 and to \$33,495 in fiscal 1989. Audit fees, which had totaled \$5,645 in fiscal 1986, were increased to \$54,900 in fiscal 1988. The remainder of the audit fees appropriated for the 1987 biennium will be expended in fiscal 1987. Insurance and bonds were increased by \$6,876, while rent on computer terminals was decreased \$7,066. Indirects total \$96,149 each year, compared with a fiscal 1986 total of \$89,672. Indirects are taken on expenditures of the Data Processing Bureau, which was not affected by reorganization.

Equipment includes \$500 for films and \$3,000 for software each year of the biennium, plus \$300 in fiscal 1989 to replace a video recorder, \$1,600 in fiscal 1988 and \$1,200 in fiscal 1989 for miscellaneous office equipment, and \$18,000 in fiscal 1988 for a sorter-feeder.

Funding

Centralized Services is entirely funded by charges made to other programs of the Department of Labor and Industry, including the Division of Workers' Compensation.

EMPLOYMENT RELATIONS

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	49.00	49.00	47.50	47.50	(1.50)
Personal Service	\$1,269,119	\$1,316,834	\$1,287,408	\$1,287,876	(.4)
Operating Expense	337,932	473,557	420,989	413,303	2.8
Equipment	18,175	-0-	6,900	1,018	(56.4)
Total Expenditures	\$1,625,226 =====	\$1,790,391 =====	\$1,715,297 =====	\$1,702,197 =====	0.1 =====
<u>Fund Sources</u>					
General Fund	\$ 643,133	\$ 656,242	\$ 600,195	\$ 599,139	(7.7)
State Special	3,250	3,250	4,000	4,000	23.1
Federal Revenue	977,534	1,127,399	1,107,602	1,095,558	4.7
Proprietary Funds	1,309	3,500	3,500	3,500	45.6
Total Funds	\$1,625,226 =====	\$1,790,391 =====	\$1,715,297 =====	\$1,702,197 =====	0.1 =====

Employment Relations Division includes the five member board of Personnel Appeals, the three member Board of Labor Appeals, and three bureaus: 1) Audit, which performs auditing and other special services for the department, 2) Appeals, which provides mediation, fact finding, and arbitration services and conducts administrative hearings on collective bargaining matters, classification appeals, employee grievances, unemployment insurance benefits, tax appeals and on the Wage Payment Act, and 3) Investigations, which administers and enforces state laws on wages, hours, working conditions, child labor, contractors' bonds, restaurant and tavern bonds, and employment agency licensure. It also conducts representation elections and investigates collective bargaining petitions and employee grievances.

Due to the reorganization, a comparison table is not possible for this program.

Current Level Adjustments

The following is a discussion of current level adjustments by program.

Audit - A 1.0 FTE receptionist position was deleted due to the 5 percent cuts and pay plan funding. Computer processing was increased \$500 and maintenance contracts on computer equipment was increased \$8,304. Rent on computer terminals was reduced \$1,128. Indirects total \$69,550 in fiscal 1988 and \$67,228 in fiscal 1989, compared with a fiscal 1986 total of \$45,924. Equipment includes \$4,800 to complete

the bureau's automation and \$2,100 for software in fiscal 1988, and \$1,018 in fiscal 1989 for office equipment.

Investigations - Secretary of State filing fees were increased \$1,440. The department anticipates an extensive revision and updating of administrative rules. Indirects total \$47,995 in fiscal 1988 and \$47,221 in fiscal 1989, compared with a fiscal 1986 total of \$59,904.

Appeals - A 1.0 FTE labor mediator position was reduced to 0.5 FTE due to the 5 percent cuts and pay plan funding. Printing supplies were reduced \$7,272 to \$68 at the department's request. Maintenance contracts were increased \$2,500. Indirects total \$70,084 in fiscal 1988 and \$68,963 in fiscal 1989 compared with a fiscal 1986 total of \$44,129. The rise is primarily due to the change in indirect charge accounting.

Funding

Audit - The Audit Bureau is supported by those programs using the bureau within the department of labor. Expenses total \$848,126 in fiscal 1988 and \$840,384 in fiscal 1989.

Investigations is funded by general fund, totaling \$325,522 in fiscal 1988 and \$325,009 in fiscal 1989. In addition, income from the licensure of private employment agencies is expected to total \$4,000 each year of the biennium.

Personnel Appeals is funded by general fund, totaling \$274,672 in fiscal 1988 and \$274,129 in fiscal 1989. Unemployment Insurance Appeals is funded by federal unemployment funds totaling \$253,476 in fiscal 1988 and \$249,174 in fiscal 1989. In addition, the department receives income from the sale of case decisions and is reimbursed for certain fact finding expenses. Revenue from these two sources is expected to total \$9,500 each year of the biennium.

EMPLOYMENT POLICY

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal <u>1986</u>	Fiscal <u>1987</u>	Fiscal <u>1988</u>	Fiscal <u>1989</u>	1987-89 <u>Biennium</u>
F.T.E.	41.00	41.00	41.00	41.00	0.00
Personal Service	\$1,026,569	\$1,016,362	\$1,052,433	\$1,051,820	3.0
Operating Expense	591,131	716,774	983,526	970,599	49.4
Equipment	<u>39,236</u>	<u>-0-</u>	<u>23,500</u>	<u>-0-</u>	<u>(40.1)</u>
Total Expenditures	<u>\$1,656,936</u>	<u>\$1,733,136</u>	<u>\$2,059,459</u>	<u>\$2,022,419</u>	20.4 =====
<u>Fund Sources</u>					
General Fund	\$ 194,532	\$ -0-	\$ 15,306	\$ -0-	(92.1)
Federal Revenue	<u>1,462,404</u>	<u>1,733,136</u>	<u>2,044,153</u>	<u>2,022,419</u>	<u>27.3</u>
Total Funds	<u>\$1,656,936</u>	<u>\$1,733,136</u>	<u>\$2,059,459</u>	<u>\$2,022,419</u>	20.4 =====

Employment Policy provides overall employment and training policy and planning functions for the Department of Labor and Industry. It consists of: 1) Apprenticeship and Training, which administers the apprenticeship program, 2) staff of the Job Training Partnership Act (JTPA) program and other state funded job training programs for specific client group needs, and 3) Research and Analysis, which develops data and statistics related to employment, conducts surveys and studies with contracting agencies and charts employment trends in the state, and administers the Montana Career Information System (MCIS) and the State Occupational Information Coordinating Committee (SOICC).

Employment Policy includes all Prevailing Wage study expenses. This study is conducted every two years to determine prevailing wage rates in Montana and will be conducted in fiscal 1988. On-going prevailing wage expenses are contained in the Investigations Bureau of Employment Relations.

Due to the reorganization, a comparison table is not possible for this program.

Current Level Adjustments

The following is a discussion of current level adjustments by bureau.

Apprenticeship - Indirects total \$25,133 in fiscal 1988 and \$25,313 in fiscal 1989, compared with a fiscal 1986 total of \$21,048.

Research and Analysis - Consulting and professional services were reduced from the fiscal 1986 level of \$54,106 to \$18,500 in fiscal 1988 and \$8,500 in fiscal 1989. The department has contracted with the State of Utah for a statistical matrix totaling \$10,000. The remainder of the contract expenses are for on-going projects. Equipment includes \$13,500 in fiscal 1988 for computer equipment and \$10,000 in fiscal 1988 for matrix equipment. Indirects total \$195,561 in fiscal 1988 and \$204,806 in fiscal 1989, compared with a fiscal 1986 total of \$75,271. The difference is due to the change in indirect cost accounting.

Prevailing Wage - As stated earlier, the prevailing wage study will be conducted in fiscal 1988. Expenses totaled \$17,630 in fiscal 1986. Current level includes \$15,306 in fiscal 1988 for the study, including \$6,372 in personal services, \$4,400 in contract services, \$3,000 in postage and mailing, \$1,257 in travel, and \$277 in other expenses.

JTPA Staff - Indirect charges total \$227,523 in fiscal 1988 and \$226,398 in fiscal 1989. These indirect charges were a part of the total Job Service indirects in fiscal 1986.

Funding

Apprenticeship - The Apprenticeship Bureau is funded by unemployment insurance penalty and interest funds. Funding for this bureau was formerly general fund, and was changed to the interest funds during the June special session. Funding totals \$169,850 in fiscal 1988 and \$176,285 in fiscal 1989.

Research and Analysis - This bureau is funded by other programs within the Department of Labor and Industry according to their degree of usage. Funds total \$917,941 in fiscal 1988 and \$891,944 in fiscal 1989.

Prevailing Wage - All prevailing wage expenses totaling \$15,306 in fiscal 1988 are funded with general fund.

JTPA Staff - All JTPA functions are supported with JTPA funds, totaling \$956,362 in fiscal 1988 and \$954,190 in fiscal 1989.

COMMISSIONER					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	4.00	4.00	4.00	4.00	0.00
Personal Service	\$154,605	\$137,018	\$139,829	\$139,993	(4.0)
Operating Expense	27,704	29,372	11,098	11,132	(61.1)
Total Expenditures	<u>\$182,309</u>	<u>\$166,390</u>	<u>\$150,927</u>	<u>\$151,125</u>	<u>(13.4)</u>
Fund Sources					
Federal Revenue	\$182,309	\$166,390	\$ -0-	\$ -0-	(100.0)
Proprietary Funds	-0-	-0-	150,927	151,125	---
Total Funds	<u>\$182,309</u>	<u>\$166,390</u>	<u>\$150,927</u>	<u>\$151,125</u>	<u>(13.4)</u>

The Commissioner of Labor and Industry is responsible for overall management of the Department of Labor and Industry.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5 Comparison of the Appropriation to Actual Expenses - Fiscal 1986			
Budget Item	Legislature	Actual	Difference
F.T.E.	4.00	4.00	0.00
Personal Service	\$140,635	\$154,605	\$(13,970)
Operating Expense	30,298	27,704	2,594
Total Exp. and Federal Funds	<u>\$170,933</u>	<u>\$182,309</u>	<u>\$(11,376)</u>

Program transfers of \$14,202 were made to this program, allowing the overexpenditure in personal services.

Current Level Adjustments

The Commissioner's Office had formerly been charged directly for its share of the costs of Centralized Services. These expenses appeared as indirect charges in the office's budget. Since this office is funded by all other programs of the department, those charges were all eventually paid by the programs contributing to the support of this office. In the 1989 biennium, all indirect charges to the Commissioner's Office will be deleted to eliminate this accounting duplication. Indirect charges totaled \$16,635 in fiscal 1986.

Funding

The Commissioner's Office is entirely supported by charges made to programs of the department. Due to the change in indirect accounting procedure, these funds are now classified as proprietary funds, rather than as federal funds.

HUMAN RIGHTS COMMISSION

<u>Budget Item</u>	<u>Actual</u>	<u>Appropriated</u>	<u>- - Current Level - -</u>		<u>% Change</u>
	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>Fiscal</u>	<u>1987-89</u>
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Biennium</u>
F.T.E.	10.50	10.50	9.00	9.00	(1.50)
Personal Service	\$242,899	\$258,604	\$231,746	\$231,863	(7.6)
Operating Expense	74,923	79,036	80,438	79,933	4.2
Equipment	511	-0-	-0-	-0-	(100.0)
Total Expenditures	\$318,333	\$337,640	\$312,184	\$311,796	(4.9)
	=====	=====	=====	=====	=====
<u>Fund Sources</u>					
General Fund	\$207,053	\$216,008	\$203,053	\$202,801	(4.1)
Federal Revenue	111,280	121,632	109,131	108,995	(6.3)
Total Funds	\$318,333	\$337,640	\$312,184	\$311,796	(4.9)
	=====	=====	=====	=====	=====

The Human Rights Commission is charged with enforcement of state and federal laws designed to eliminate discrimination in the areas of employment, public accommodations, housing, financing and credit transactions, education, and government services.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	10.50	10.50	0.00
Personal Service	\$256,023	\$242,899	\$13,124
Operating Expense	76,904	74,923	1,981
Equipment	-0-	511	(511)
Total Expenditures	<u>\$332,927</u>	<u>\$318,333</u>	<u>\$14,594</u>
<u>Funding</u>			
General Fund	\$207,051	\$207,053	(2)
Federal Revenue	<u>125,876</u>	<u>111,280</u>	<u>14,596</u>
Total Funds	<u>\$332,927</u>	<u>\$318,333</u>	<u>\$14,594</u>

The difference in personal services is due to vacancy savings. The difference in federal funds is due to less reimbursement for cases from the Equal Employment Opportunity Commission than originally anticipated.

Current Level Adjustments

A 1.0 FTE human rights officer position was eliminated and a 1.0 FTE human rights officer position was reduced to 0.5 FTE due to an anticipated reduction in federal fund reimbursement. Office supplies were increased \$1,500 and maintenance contracts were increased \$1,600. Rent was increased \$800. Equipment includes terminals to expand the capabilities of a donated computer.

Funding

The commission is required to deal with all cases of discrimination which violate state law. These cases will occasionally cross over into federal law. When they do, the commission is reimbursed with federal Equal Employment Opportunity Commission (EEOC) and Housing and Urban Development (HUD) funds. The expected reimbursement per case is \$420 on EEOC cases and \$600 in HUD cases in the 1988 biennium. Current level assumes the same percentage of total funding from EEOC in fiscal years 1988 and 1989 as in fiscal 1986, totaling \$109,131 in fiscal 1988 and \$108,995 in fiscal 1989. The remainder of the commission is funded with general fund, totaling \$203,053 in fiscal 1988 and \$202,801 in fiscal 1989.

JOB TRAINING PARTNERSHIP ACT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	1.17	0.00	0.00	0.00	(1.17)
Personal Service	\$ 20,721	\$ -0-	\$ -0-	\$ -0-	(100.0)
Operating Expense	364	-0-	-0-	-0-	(100.0)
Total Operating Costs	\$ 21,085	\$ -0-	\$ -0-	\$ -0-	(100.0)
Non-Operating Costs	8,182,140	7,434,000	7,636,093	7,965,212	(0.1)
Total Expenditures	\$8,203,225	\$7,434,000	\$7,636,093	\$7,965,212	(0.2)
<u>Fund Sources</u>					
General Fund	\$ 291,220	\$ 125,000	\$ 125,000	\$ 125,000	(39.9)
Federal Revenue	7,912,005	7,309,000	7,511,093	7,840,212	0.9
Total Funds	\$8,203,225	\$7,434,000	\$7,636,093	\$7,965,212	(0.2)

Job Training Partnership Act passes through federal JTPA funds to the Department of Labor and Industry, state agencies, and non-state organizations that provide training to help individuals enter or reenter the workforce.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
<u>Grants</u>			
Total Grants	\$7,418,534	\$6,979,341	\$439,193
<u>Funding</u>			
General Fund	\$ 318,534	\$ 291,220	\$ 27,314
Federal Revenue	7,100,000	6,688,121	411,879
Total Funds	\$7,418,534	\$6,979,341	\$439,193
Budget Amendments	\$2,215,056	\$1,223,884	\$991,172

General fund was used to match JTPA Title III Dislocated Workers and Pre-employment Training funds and to supplement Displaced Homemakers grants. Of the \$320,300 allocated for dislocated workers and pre-employment training, \$290,812 was expended. All but \$408 of the \$125,000 allocated for displaced homemakers was expended. Budget amendments included 1.17 FTE.

Current Level Adjustments

Current level is as requested by the department and represents anticipated JTPA grant levels.

Funding

Federal JTPA Title III Dislocated Worker funds must be matched on a dollar for dollar basis. General fund formerly matched all dislocated worker and pre-employment training funds. This match was changed to Unemployment Insurance penalty and interest funds in the June special session. Match totals \$334,000 each year of the biennium. General fund provides supplemental funds to federal displaced homemakers funds.

ISSUE 1: GENERAL ASSISTANCE TRAINING PROGRAM

The Department of Labor and Industry is the contracting agency to the Department of Social and Rehabilitation Services (SRS) to administer and evaluate the General Assistance Training Program. This program was established to meet the requirements of House Bill 12 passed in Special Session II, which required all persons receiving general assistance to attend classes designed to improve their employment possibilities and to engage in structured job search. Failure to participate in the program means the loss of eligibility for all or a portion of general assistance benefits. In each of the 12 counties whose general assistance program has been assumed by the state, the training is provided by local job service offices, as well as by county governments and other organizations, such as Human Resource Development Councils (HRDC's) and the AFL-CIO.

The program began operations in fiscal 1987. Funding for the program is derived from the level appropriated to SRS for general assistance payments, which are funded with general fund. The following table shows budgeted expenses and FTE of the program in fiscal 1987 for the eight month period from July 1 to February 28, by county.

Table 8
Budgeted Expenses - General Assistance Training Program
Fiscal 1987

<u>County</u>	<u>Budgeted Expenditures</u>	<u>FTE</u>
Cascade	\$146,113	8.0
Deer Lodge and Powell	60,803	4.0
Flathead	68,894	5.5*
Lake	12,167	0.0
Lewis and Clark	141,697	6.5
Lincoln	64,192	1.0
Mineral and Missoula	86,870	4.5
Park	34,151	1.0
Ravalli	15,549	0.5
Silver Bow	104,385	5.0
Total	<u>\$734,821</u>	<u>36.0</u>

*Includes 4.5 FTE employed by community organizations serving Flathead, Lake, and Lincoln counties.

The total FTE include 13.5 FTE in local job service offices and 22.5 FTE employed by other providers. In addition, the central department of labor office in Helena employs 2.5 FTE for this program and has budgeted expenses of \$69,867 in fiscal 1987. An additional 0.5 FTE associated with the AFL-CIO serves all counties.

Although each county had a unique approach, budgeted expenditures were generally determined in fiscal 1987 via a process whereby task forces in each of the counties reviewed general assistance caseloads and expected program requirements for serving that caseload. The task forces also reviewed the various agencies capable of providing the educational services and their proposals for providing those services. The recommendations of the task forces for the level of funding and for personnel requirements were then reviewed by SRS for funding. Grants were then made to the Department of Labor and Industry for implementation.

Program Review

The Department of Labor and Industry is responsible for reviewing the various county programs and evaluating their effectiveness in job placement. The following table shows, by county, the number of persons receiving training, the rate of placement and the cost per placement, as provided by the department of labor. The table includes all county workfare expenses.

Table 9
General Assistance Training Program, by County
First Quarter - Fiscal 1987

County	Enrollments	Placements	Cost/ Placement	Full-Time Placement	Cost/ Placement
Cascade	379	31	\$1,548	18	\$2,666
Deer Lodge	81	21	1,032	20	1,135
Flathead	73	18	1,269	12	1,904
Lake	18	4	975	3	1,300
Lewis & Clark	92	14	2,381	12	2,778
Lincoln	70	17	1,059	15	1,200
Missoula Mineral	313	27	1,039	25	1,122
Park	43	11	960	8	1,321
Ravalli	15	0	-0-	0	-0-
Silver Bow	328	18	1,670	17	1,768
Total/Avg. Cost per Placement	<u>1,412</u>	<u>161</u>	<u>\$1,526</u>	<u>130</u>	<u>\$1,890</u>

While the department of labor is responsible for determining program effectiveness in securing employment for participants, the Department of Social and Rehabilitation Services is responsible for determining whether the reduction in general assistance costs has equaled or exceeded the cost of the program. The department began compiling data on the effects of the imposition of sanctions for non-participation on October 1, 1986. SRS reports that 7 general assistance cases were reduced by one-fourth, 16 by one-half, 6 by three-fourths, and 64 were completely closed in the month of October, for a general fund savings of \$13,824. However, several other factors SRS has not quantified or cannot quantify impact savings of the program, including the number of persons not applying for general assistance due to the program requirement, those dropping off general assistance due to the program requirement, and those who have received training that has enabled them to remain off general assistance. Therefore, current statistics are unreliable in determining the cost effectiveness of the program.

The 1989 Biennium

Due to the experimental nature of the program in fiscal 1987, the method of distribution of funds was designed to bring several interested groups and types of providers into the program. The method of allocating funds in the 1989 biennium has yet to be determined, but two primary options are available.

1. Maintenance of the current method of task force recommendation with approval by SRS.
2. A greater role by the Department of Labor, including a review by that department of competitive proposals for program implementation in each county and a more thorough review of budgets by that department. At the time of the analysis, the Job Training Coordinating Council, which would work in conjunction with the department of labor, was formulating proposals

for allocation of funds and evaluation of program effectiveness under this option.

Questions to be addressed in the 1987 legislative session include:

1. What is an appropriate appropriation method? Options would include:
 - a. An estimate of the number of clients being served, with an appropriation based upon an average cost per client.
 - b. An estimate of the cost savings of the program to the general assistance program, with the appropriation confined to that level, or
 - c. a development by the department of labor of detailed budgets for each county, with an appropriation based upon those budgets.
2. What will be the criteria for destination and level of allocation?
3. Who will be responsible for allocating funds?
4. How will the effectiveness of the programs in securing employment for participants and in reducing state general assistance payments be determined?

DIVISION OF WORKERS' COMPENSATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	199.5	\$1,289,473	\$17,523,221
LFA Current Level	172.0	1,290,790	15,461,517
Executive Over (Under) LFA	<u>27.5</u>	<u>\$ (1,317)</u>	<u>\$ 2,061,704</u>

The difference between the executive and LFA current level is primarily due to two factors: 1) modified requests which add 14.5 FTE and \$1,178,899 in additional state funds over the biennium, and 2) the inclusion by the executive of 13.0 FTE transferred from Employment Services in fiscal 1987, which are not included in LFA current level.

ISSUE 1: FISCAL 1986 TRANSFERRED FTE

The executive includes 13.0 FTE transferred to this division from Employment Services in the 1987 biennium. Because the positions went from federal to state funding, LFA current level does not include the positions pending legislative review. Consequently, the executive includes \$443,596 more in personal services expenses over the biennium than does LFA current level.

ISSUE 2: ADMINISTRATION: SERVICES MODIFICATIONS

The executive includes three modifications for expanded services: 1) 1.5 FTE and \$74,349 of state workers' compensation funds to generate management reports and to assist with automation and with increased mail, 2) \$256,000 of state workers' compensation funds over the biennium to complete the automation of the division, and 3) 1.0 FTE legal secretary, at a cost of \$35,059 over the biennium, funded with state workers' compensation funds. LFA current level does not include this expansion.

ISSUE 3: STATE INSURANCE FUND: WORKLOAD MODIFICATIONS

The executive has included an additional 10.0 FTE, at a total cost over the biennium of \$624,502 of state workers' compensation funds, to deal with increased workload. The FTE include 1.0 FTE claims examiner, 6.0 FTE field representatives, 2.0 legal staff, and 1.0 FTE clerical staff. LFA current level does not contain this expansion.

ISSUE 4: INSURANCE COMPLIANCE: WORKLOAD MODIFICATIONS

The executive has included an additional 2.0 FTE, at a total cost over the biennium of \$106,862 in state workers' compensation funds, to deal with increased workload in the Insurance Compliance Program. The FTE include 1.0 FTE claims examiner and 1.0 FTE administrative officer. LFA current level does not include this expansion.

ISSUE 5: CRIME VICTIMS GRANT LEVEL

LFA current level maintains grants to victims of crime at the anticipated income level in the 1989 biennium. The executive maintains grants at the fiscal 1986 actual level, which exceeds anticipated income. Consequently, the executive includes \$33,568 more in state crime victims funds than does LFA current level.

ISSUE 6: SAFETY: PROGRAM TRAVEL MODIFICATION

The executive includes additional travel funds of \$92,127 over the biennium, funded with state workers' compensation funds. The expansion is in response to a proposed policy change by the division to expand the time spent and the scope of the work conducted in the field, and is therefore not included in LFA current level.

DIVISION OF WORKERS' COMPENSATION

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	175.25	175.25	172.00	172.00	(3.25)
Personal Service	\$3,919,515	\$3,809,017	\$3,898,305	\$3,905,128	1.0
Operating Expense	2,310,860	2,396,055	2,474,612	2,400,932	3.6
Equipment	155,672	133,445	165,320	92,652	(10.8)
Total Operating Costs	\$6,386,047	\$6,338,517	\$6,538,237	\$6,398,712	1.7
Non-Operating Costs	1,611,841	1,377,982	1,063,046	1,461,521	(15.6)
Total Expenditures	\$7,997,888 =====	\$7,716,499 =====	\$7,601,283 =====	\$7,860,233 =====	(1.6) =====
<u>Fund Sources</u>					
General Fund	\$ 99,978	\$ 100,791	\$ 658,103	\$ 632,687	542.9
State Special	7,773,881	7,392,727	6,817,718	7,101,657	(8.2)
Federal and Other	124,029	222,981	125,462	125,889	(27.6)
Total Funds	\$7,997,888 =====	\$7,716,499 =====	\$7,601,283 =====	\$7,860,233 =====	(1.6) =====

The Division of Workers' Compensation is responsible for several laws relating to Montana's workers. It is comprised of four bureaus: 1) Administration, 2) State Insurance Fund, 3) Insurance Compliance, and 4) Safety.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	175.25	183.90	(8.65)
Personal Service	\$3,802,280	\$3,919,515	\$(117,235)
Operating Expense	2,378,591	2,310,860	67,731
Equipment	206,502	155,672	50,830
Total Operating Costs	\$6,387,373	\$6,386,047	\$ 1,326
Non-Operating Costs	1,805,130	1,611,841	193,289
Total Expenditures	<u>\$8,192,503</u>	<u>\$7,997,888</u>	<u>\$ 194,615</u>
<u>Funding</u>			
General Fund	\$ 100,713	\$ 99,978	\$ 735
State Special	7,868,506	7,773,881	94,625
Federal Revenue	223,284	124,029	99,255
Total Funds	<u>\$8,192,503</u>	<u>\$7,997,888</u>	<u>\$ 194,615</u>

The difference in FTE is due to the net transfer to the State Insurance Fund of 8.9 FTE from Job Service and Centralized Services in Employment Services and the deletion of 0.25 FTE from that bureau. The transfer caused the overexpenditure in personal services. With the exception of \$15,563, no funds were transferred with the FTE. The division made up this overexpenditure by reducing operating expenses and equipment.

The difference in grants occurs primarily in the Crime Victims Program. The division had received authority of \$150,000 for anticipated federal crime victims funds. No federal funds were received or expended.

The difference in federal funds is due to the non-receipt of federal crime victims funds and to the reception of federal on-site consultation funds in the Safety Bureau, which had not been anticipated.

Computer Enhancements

Current level includes funds to complete the automation of the division and to enhance data processing capacities and capabilities. The following table summarizes current level additions to the division's budget to accommodate this expansion.

Table 2
Current Level Additions - Division of Workers' Compensation

<u>Program</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Administration		
Mini-Mainframe Expansion	\$31,209	\$ -0-
Network Personal Computer	16,593	-0-
Software	9,000	-0-
Total - Administration	<u>\$56,802</u>	<u>\$ -0-</u>
State Insurance Fund		
Personal Computer	\$ 8,000	-0-
Terminals	12,100	\$14,300
Total - State Insurance Fund	<u>\$20,100</u>	<u>\$14,300</u>
Insurance Compliance		
Personal Computer	\$ 8,000	\$ -0-
Computer Workstations	8,800	-0-
Total - Insurance Compliance	<u>\$16,800</u>	<u>\$ -0-</u>
Safety		
Workstation	<u>\$ 2,200</u>	<u>\$ -0-</u>

The additions should complete the automation of the division. The division has experienced rapid growth in the number of employers covered and subsequently in the number of claims it must process. Since the division has been able to reduce its current backlog with current staff, should the division's workload stabilize, it is anticipated that the division will not need the level of FTE currently supported due to the large expansion in data processing capabilities.

FTE Additions

The department transferred 3.0 FTE from Job Service and 10.0 FTE from Centralized Services in fiscal 1987 to the Division of Workers' Compensation, including 1.0 FTE to Administration and 12.0 FTE to the State Insurance Fund. The department is requesting these positions as current level in the 1989 biennium. The positions had been supported by federal funds and by indirect funds paid by the various programs of the department, which are primarily federal funds, in Job Service and Centralized Services. The positions would be supported by state workers' compensation funds in this division.

Since the funding of these positions has changed, and because these positions were transferred through the program transfer process without legislative review, they have not been included in current level. The following is a breakdown of the positions as requested by the department.

Table 3
Workers Compensation - FTE Removed from Current Level
That had been Transferred from Employment Service

<u>Title</u>	<u>Fiscal 1988 Salary</u>
Management Analyst II	\$ 21,515
Admin Clerk	12,197
Medical Claims Tech.	14,974
File Clerk II	11,931
File Clerk II	11,931
Leadworker File Clerk	12,762
Medical Claims Tech	14,974
Medical Claims Tech	15,302
Admin Assistant	15,302
Admin Clerk II	12,762
Claims Examiner	18,645
Claims Examiner	18,645
Medical Claims Tech	15,302
Total Salary Cost	<u>\$196,242</u>

Current Level Adjustments and Funding

The following table shows FTE and funding of the four bureaus of the Division of Workers' Compensation.

Table 4
FTE and Funding - Division of Workers' Compensation

		- - - - Fiscal 1988 - - - -			- - - - Fiscal 1989 - - - -		
	<u>FTE</u>	<u>G.F.</u>	<u>Other</u>	<u>Total</u>	<u>G.F.</u>	<u>Other</u>	<u>Total</u>
Administration	37	\$ -0-	\$1,395,062	\$1,395,062	\$ -0-	\$1,698,325	\$1,698,325
State Fund	76	-0-	3,276,721	3,276,721	-0-	3,280,128	3,280,128
Insurance Compliance	35	658,103	1,410,818	2,068,921	632,687	1,387,680	2,020,367
Safety	25	-0-	860,579	860,579	-0-	861,413	861,413
Total	172	\$658,103	\$6,943,180	\$7,601,283	\$632,687	\$7,227,546	\$7,860,233

ADMINISTRATION

Administration is responsible for overall management and support services of the division.

One FTE administrative aide position was not requested by the department and has, therefore, not been included in current level. The department added 3.0 FTE legal staff for the 1987 biennium only. These positions are not included in current level.

Audit fees totaled \$40,000 in fiscal 1986. Audit fees total \$38,700 in fiscal 1988. Payroll service fees, which totaled \$1,814 in fiscal 1986, were increased to \$11,311 in fiscal 1988 and \$11,030 in fiscal 1989. Insurance was increased \$49,248, a software agreement with WANG was added totaling \$3,960, janitorial expenses were raised \$6,144, security was raised \$600, the allowance for parking spaces was raised \$3,480, and maintenance contracts were raised \$5,000 for the new computer system. In-state travel was increased 10 percent, or \$449, to allow the administrator to travel more frequently. Expenses for the workers' compensation advisory council were reduced by \$17,528, and data processing charges were reduced by \$221,830. The division expects a major revision in the workers' compensation statutes. A total of \$14,679 was added for this purpose in fiscal 1988. Phone enhancements of \$10,000 in fiscal 1988 were also added.

In addition to the computer equipment previously mentioned, \$9,002 was added in fiscal 1988 and \$4,655 was added in fiscal 1989 for miscellaneous office equipment. Building payments of \$9,962 in fiscal 1988 and \$431,338 in fiscal 1989 were also added. Building payments total \$430,463 in fiscal 1988, of which \$420,501 will be paid with investment earnings, which are not budgeted.

Administration is funded by state workers' compensation funds and by federal Occupational Safety and Health Administration (OSHA) funds.

STATE INSURANCE FUND

The State Insurance Fund Program administers the state workers' compensation insurance fund. It enrolls employers requesting coverage and pays wage loss and medical benefits according to state law.

Consulting and professional services were raised a total of \$58,367 to allow for anticipated increases in charges by the National Council on Compensation Insurance (NCCI) and by Coates, Herfurth and England, actuarial organizations to which the state fund belongs. Audit fees to support the Audit Bureau in Employment Relations were increased by \$20,000. Data processing fees were increased \$160,448 to allow the bureau to increase its data processing capabilities. With this addition, the fund should need fewer FTE should its workload stabilize. Travel was increased by \$1,839. Commissions of \$58,442 and interest of \$54,181 were removed from current level, as were bad debt write-off expenses of \$248,948, and bond swap expenses of \$487,543.

In addition to the equipment additions mentioned earlier, \$8,950 was added in fiscal 1988 and \$30,800 was added in fiscal 1989 for office equipment, and \$8,652 was added in fiscal 1988 and \$9,000 in fiscal 1989 to replace two of the bureau's six automobiles.

This bureau is entirely funded with state workers' compensation insurance funds.

INSURANCE COMPLIANCE

Insurance Compliance assists claimants, insurance adjusters and carriers, employers, attorneys, and medical providers in interpreting and complying with the workers' compensation and occupational disease acts and monitors private insurers' adequacy of coverage and payment to injured workers.

Funds totaling \$23,040 each year of the biennium were added for state fund required medical referrals of certain claimants. Data processing costs were increased \$50,000. Audit fees to support the Audit Bureau of Employment Relations were increased \$1,210. Bad debt write-off expenses of \$240,346 were removed from current level.

In addition to the computer equipment mentioned earlier, \$6,450 in fiscal 1988 and \$900 in fiscal 1989 were added for office equipment.

Grants

Insurance Compliance administers three grants: 1) silicosis benefits, 2) social security offsets, and 3) crime victims. The following table shows actual fiscal 1986 expenditures and anticipated fiscal 1988 and 1989 expenditures.

Table 5
Grants

<u>Grant</u>	<u>Fund Source</u>	<u>FY 1986</u>	<u>FY 1988</u>	<u>FY 1989</u>
Silicosis Benefits	General Fund*			
Administration		\$ 11,678	\$ 12,519	\$ 12,504
Payments		607,200	576,000	555,600
Social Security Offsets	General Fund	88,301	69,584	64,583
Crime Victims	State Crime Victims Fund			
Administration		57,077	58,789	60,553
Payments		365,863	348,711	349,447
Total Grants		<u>\$1,130,109</u>	<u>\$1,065,603</u>	<u>\$1,042,687</u>

*Resource Indemnity Trust Funds in fiscal 1986.

The Insurance Compliance Bureau makes payments to individuals adversely affected by the law in effect from July of 1973 to April of 1974 that stated that workers' compensation benefits would be offset 100 percent by any social security payments made for the same purpose. The law was subsequently changed to a 50 percent offset.

Silicosis benefits are paid to those persons who contracted the disease on the job prior to 1959 and to widows of silicotics. The following table shows the number of silicosis cases, payment levels, and costs.

Table 6
Silicosis Case Payments, Costs

Fiscal Year	Cases		Payments		Total Cuts
	Silicotic	Widow	Silicotic	Widow	
1986	183	133	\$200	\$100	\$607,200*
1987 Projected	178	141	200	100	580,800**
1988 Projected	172	136	200	100	576,000
1989 Projected	166	131	200	100	555,000

*Slight difference is due to fluctuations within fiscal year in number of claimants.

**Actual appropriation. Projected cases upon which the appropriation was made total 171 regular cases and 142 widows.

Crime victims benefits are paid to those persons who are the innocent victims of crime. Benefits are funded with 18 percent of funds collected on all fines and citations issued by the highway patrol. The following table shows revenues to and disbursements from the fund since fiscal 1984.

Table 7
Crime Victims Fund*

Revenue	FY 1986	FY 1987	FY 1988	FY 1989
Beginning Balance	\$ 767,235	\$251,537	\$151,537	\$151,537
Additions	407,242	432,500	407,500	410,000
Total Funds Available	\$1,174,477	\$684,037	\$559,037	\$561,537
<u>Disbursements</u>				
Benefits	\$ 365,863	\$369,020	\$348,711	\$349,447
Administration	57,077	63,480	58,789	60,553
Transfer to General Fund	500,000	100,000	-0-	-0-
Total Disbursements	\$ 922,940	\$532,500	\$407,500	\$410,000
Ending Balance	<u>\$ 251,537</u>	<u>\$151,537</u>	<u>\$151,537</u>	<u>\$151,537</u>

*Fiscal 1987 is as appropriated by the 1985 legislature, excluding the centennial loan. Fiscal 1988 and 1989 are as contained in current level.

Current level maintains benefits and administrative costs at the anticipated income level in fiscal years 1988 and 1989.

Funding

All non-grant functions of the Insurance Compliance Bureau are funded with state workers' compensation insurance funds totaling \$955,069 in fiscal 1988 and \$931,071 in fiscal 1989.

SAFETY

The Safety Bureau is responsible for administering the state's industrial safety laws.

Insurance was increased \$600. Data processing was increased by \$300 in fiscal 1988 and by \$3,300 in fiscal 1989. In addition to the computer equipment mentioned earlier, \$6,560 in fiscal 1988 and \$2,495 in fiscal 1989 was added for office equipment and \$29,804 in fiscal 1988 and \$30,500 in fiscal 1989 was added to replace vehicles in the bureau's fleet.

The division is currently studying the feasibility of maintaining staff in the field. This action would reduce travel expenses and repairs. A result of the study should be made available for legislative review.

The Safety Bureau is funded by state workers' compensation insurance funds and by federal coal mine safety and on-site consultation funds.

DEPARTMENT OF MILITARY AFFAIRS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	- - - - - Biennium General Fund	- - - - - Total Funds
Executive Budget	95.5	\$3,655,013	\$10,247,991
LFA Current Level	<u>78.0</u>	<u>3,619,202</u>	<u>7,134,698</u>
Executive Over (Under) LFA	<u>17.5</u>	<u>\$ 35,811</u>	<u>\$ 3,113,293</u>

The difference between the executive budget and LFA current level is primarily due to two factors: 1) the executive includes modifications of 17.0 FTE and \$1,092,013 not included in LFA current level and 2) the executive includes \$2,000,000 of local civil defense reimbursements over the biennium not included in LFA current level. The following issues reflect the major differences between the executive budget and LFA current level.

ISSUE 1: ARMY NATIONAL GUARD MODIFICATIONS

The executive includes \$44,170 in federal funds over the biennium for 1.0 FTE design engineer to coordinate and supervise minor construction and repair projects. The executive also includes \$192,200 in federal funds over the biennium for communications and repair and maintenance expenses. LFA current level contains neither of these modifications. The executive deletes 1.0 FTE security guard position retained in LFA current level.

ISSUE 2: AIR NATIONAL GUARD MODIFICATIONS

The executive includes an additional 17.0 FTE firefighters at a cost of \$740,438 in federal funds over the biennium. The executive also includes general fund of \$18,041 and federal funds of \$72,164 over the biennium for repair and maintenance and utilities costs on new facilities. LFA current level includes neither of these modifications.

ISSUE 3: DISASTER COORDINATION RESPONSE MODIFICATIONS

The executive includes \$25,000 of general fund in fiscal 1988 only to replace sandbags in the the Glasgow - Miles City area. LFA current level does not include this modification.

ISSUE 4: EMERGENCY MANAGEMENT DEVELOPMENT FTE

LFA current level deletes a federally funded 0.5 FTE secretarial position due to its vacancy all of fiscal 1986. The executive retains this position, and is therefore \$18,640 higher in personal services than LFA current level.

ISSUE 5: EMERGENCY MANAGEMENT DEVELOPMENT TRAVEL

The executive includes \$22,546 more in travel than is included in LFA current level, which maintains the fiscal 1986 level.

ISSUE 6: LOCAL CIVIL DEFENSE REIMBURSEMENT

The executive includes \$2,000,000 in authority over the biennium in civil defense reimbursements, which are federal funds passed through to local governments. These are non-budgeted funds made by statutory appropriations and do not appear in LFA current level.

DEPARTMENT OF MILITARY AFFAIRS

<u>Budget Item</u>	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	91.01	91.00	78.00	78.00	13.00
Personal Service	\$1,850,966	\$2,009,750	\$1,875,358	\$1,878,749	(2.8)
Operating Expense	1,708,874	1,617,478	1,661,809	1,710,722	1.4
Equipment	23,181	3,898	3,500	-0-	(87.1)
Total Operating Costs	\$3,583,02	\$3,631,126	\$3,540,667	\$3,589,471	(1.2)
Non-Operating Costs	1,983,366	2,280	2,280	2,280	(99.8)
Total Expenditures	\$5,566,387 =====	\$3,633,406 =====	\$3,542,947 =====	\$3,591,751 =====	(22.4) =====
<u>Fund Sources</u>					
General Fund	\$1,822,275	\$1,798,564	\$1,816,084	\$1,831,154	0.7
Federal and Other	3,744,112	1,834,842	1,726,863	1,760,597	(37.5)
Total Funds	\$5,566,387 =====	\$3,633,406 =====	\$3,542,947 =====	\$3,591,751 =====	(22.4) =====

The Department of Military Affairs oversees all activities of the Army National Guard and the Air Guard Programs, the Veterans' Affairs Program, and the Disaster and Emergency Services Division, which is responsible for the preparation, update, coordination, and testing of all state emergency preparedness, response, and recovery plans. The division is also responsible for radiological defense efforts and calibration and maintenance of radiological instruments.

Actual fiscal 1986 expenditures include \$1,800,861 in local reimbursement grants. This expense does not appear in current level or in the main tables that follow because the grants, which are pass-through grants from the federal government to local agencies, are funded as needed through a statutory appropriation.

ADMINISTRATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	4.00	4.00	4.00	4.00	0.00
Personal Service	\$121,920	\$122,775	\$124,598	\$124,655	1.9
Operating Expense	<u>49,247</u>	<u>41,597</u>	<u>56,519</u>	<u>56,117</u>	<u>24.0</u>
Total Expenditures	<u>\$171,167</u>	<u>\$164,372</u>	<u>\$181,117</u>	<u>\$180,772</u>	<u>7.9</u>
<u>Fund Sources</u>					
General Fund	\$163,822	\$157,021	\$171,016	\$170,627	6.5
Federal and Other	<u>7,345</u>	<u>7,351</u>	<u>10,101</u>	<u>10,145</u>	<u>37.8</u>
Total Funds	<u>\$171,167</u>	<u>\$164,372</u>	<u>\$181,117</u>	<u>\$180,772</u>	<u>7.9</u>

The Administration Program provides management and supervisory support to the Department of Military Affairs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	4.00	4.00	0.00
Personal Service	\$122,025	\$121,920	\$ 105
Operating Expense	<u>41,322</u>	<u>49,247</u>	<u>(7,925)</u>
Total Expenditures	<u>\$163,347</u>	<u>\$171,167</u>	<u>\$(7,820)</u>
<u>Funding</u>			
General Fund	\$156,001	\$163,822	\$(7,821)
Federal Revenue	<u>7,346</u>	<u>7,345</u>	<u>1</u>
Total Funds	<u>\$163,374</u>	<u>\$171,167</u>	<u>\$(7,820)</u>

The overexpenditure in operating expenses occurred in utilities, where the program expended \$10,167 more than the appropriation of \$22,738. A program transfer of \$8,000 in general fund was made from the Army National Guard Program to cover the overexpenditure.

Current Level Adjustments

Audit expenses of \$4,200 were added in fiscal 1988. Audit expenses totaled \$772 in fiscal 1986. Inflation on utilities adds \$3,840 in fiscal 1988 and \$7,636 in fiscal 1989 compared with the fiscal 1986 level.

Funding

This program is funded with general fund totaling \$171,016 in fiscal 1988 and \$170,627 in fiscal 1989. In addition, the federal government reimburses the state for the expenses of 1.0 FTE for the time that FTE spends on federal work. The FTE will be funded 50 percent with federal funds in the 1989 biennium, or \$10,101 in fiscal 1988 and \$10,145 in fiscal 1989. The FTE was funded 39 percent with federal funds in fiscal 1986.

ARMY NATIONAL GUARD					
Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	15.00	15.00	15.00	15.00	0.00
Personal Service	\$ 290,326	\$ 292,048	\$ 305,774	\$ 306,451	5.1
Operating Expense	1,075,847	978,165	993,050	1,024,496	(1.8)
Equipment	902	3,000	-0-	-0-	(100.0)
Total Operating Costs	\$1,367,075	\$1,273,213	\$1,298,824	\$1,330,947	(0.4)
Non-Operating Costs	157,505	2,280	2,280	2,280	(97.1)
Total Expenditures	\$1,524,580 =====	\$1,275,493 =====	\$1,301,104 =====	\$1,333,227 =====	(5.9) =====
<u>Fund Sources</u>					
General Fund	\$ 836,127	\$ 873,332	\$ 854,660	\$ 874,637	1.2
Federal Revenue	688,453	402,161	446,444	458,590	(17.0)
Total Funds	\$1,524,580 =====	\$1,275,493 =====	\$1,301,104 =====	\$1,333,227 =====	(5.9) =====

The Army National Guard provides trained and equipped military organizations for the Governor in the event of a state emergency and for the President in the event of a national emergency. The state's responsibilities include coordination and maintenance of all National Guard facilities.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	15.00	15.00	0.00
Personal Service	\$ 289,297	\$ 290,326	\$ (1,029)
Operating Expense	975,071	983,090	(8,019)
Equipment	-0-	902	(902)
Total Operating Costs	\$1,264,368	\$1,274,318	\$ (9,950)
Non-Operating Costs	2,280	2,505	(225)
Total Expenditures	<u>\$1,266,648</u>	<u>\$1,276,823</u>	<u>\$ (10,175)</u>
<u>Funding</u>			
General Fund	\$ 874,077	\$ 836,127	\$ 37,950
Federal Revenue	392,571	440,696	(48,125)
Total Funds	<u>\$1,266,648</u>	<u>\$1,276,823</u>	<u>\$ (10,175)</u>
<u>Additions</u>			
Budget Amendments	<u>\$ 249,700</u>	<u>\$ 247,757</u>	<u>\$ 1,943</u>

Several factors resulted in the overexpenditure in operating expenses of this program: 1) contract services were underexpended by \$48,102, 2) communications were overexpended by \$41,984, 3) utilities were overexpended by \$67,397, and 4) other expenses were underexpended by \$56,534. The remainder is due to minor differences in the remaining expenditure categories. A program transfer was made that accomplished three things: 1) \$8,000 of general fund was transferred to the Administration Program to offset increases in utilities beyond the appropriation, 2) \$6,000 of general fund was transferred to the Air National Guard Program to cover general fund utility costs, and 3) \$70,000 of federal authority was transferred to the Army National Guard Program from the Air National Guard Program to cover increases in utility costs. The net program transfer to this program allowed the overexpenditure in operating expenses and federal funds.

Current Level Adjustments

All expenses of the three budget amendments granted this program in fiscal 1986, totaling \$247,757, were deleted from current level.

Insurance was reduced from \$166,846 to \$149,750. Payroll service fees total \$288 in fiscal 1988 and \$281 in fiscal 1989. There were no payroll service fees in fiscal 1986. The clothing allowance for officers was reduced by \$3,150 each year to \$7,875, allowing a \$25 allowance, compared with a fiscal 1986 level of \$35 per officer. This reduction continues the action taken during Special Session III. Inflation on utilities adds \$29,742 in fiscal 1988 and \$61,095 in fiscal 1989 to current level.

Funding

This program is funded by a combination of general fund and federal funds. The state is reimbursed for certain expenses, including personal services, contract services, supplies and materials, utilities, and repair and maintenance, associated with the maintenance of federal buildings on a 75/25 federal/state basis. In addition, the federal government makes a grant for communications expenses to the program. Federal funds are expected to total \$446,444 in fiscal 1988 and \$458,590 in fiscal 1989. The remainder of the program is funded with general fund, totaling \$854,660 in fiscal 1988 and \$874,637 in fiscal 1989.

AIR NATIONAL GUARD					
<u>Budget Item</u>	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	31.00	31.00	20.00	20.00	11.00
Personal Service	\$478,301	\$ 612,962	\$479,577	\$482,325	(11.9)
Operating Expense	<u>383,846</u>	<u>389,509</u>	<u>412,541</u>	<u>442,823</u>	<u>10.6</u>
Total Expenditures	<u>\$826,147</u>	<u>\$1,002,471</u>	<u>\$892,118</u>	<u>\$925,148</u>	<u>(2.5)</u>
<u>Fund Sources</u>					
General Fund	\$105,935	\$ 105,073	\$110,520	\$116,662	7.7
Federal Revenue	<u>756,212</u>	<u>897,398</u>	<u>781,598</u>	<u>808,486</u>	<u>(3.8)</u>
Total Funds	<u>\$862,147</u>	<u>\$1,002,471</u>	<u>\$892,118</u>	<u>\$925,148</u>	<u>(2.5)</u>

The Air National Guard provides administrative and clerical services for the Air Guard Program. This program is also responsible for facilities maintenance and fire protection support to the Air National Guard base at Great Falls.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	31.00	31.00	0.00
Personal Service	\$616,048	\$478,301	\$137,747
Operating Expense	<u>365,785</u>	<u>383,846</u>	<u>(18,061)</u>
Total Expenditures	<u>\$981,833</u>	<u>\$862,147</u>	<u>\$119,686</u>
<u>Funding</u>			
General Fund	\$100,860	\$105,935	\$ (5,075)
Federal Revenue	<u>880,973</u>	<u>756,212</u>	<u>124,761</u>
Total Funds	<u>\$981,833</u>	<u>\$862,147</u>	<u>\$119,686</u>

Funding for 11 security guards was added in fiscal 1986. These positions were never funded from this program, as the positions were funded directly by the federal government, causing the underexpenditure in personal services. The overexpenditure in operating expenses was caused by utility expenditures exceeding the appropriation by \$51,419. Conversely, contract services were underexpended by \$36,130. The remainder was due to minor differences in the remaining expenditure categories.

A program transfer was effected in this program that accomplished two things: 1) \$70,000 in federal authority was transferred to the Army National Guard to offset utility costs, and 2) \$6,000 of general fund authority was transferred to this program from the Army National Guard for the same purpose. The transfer allowed the overexpenditure of general fund.

Current Level Adjustments

All 11.0 FTE security guards were removed from current level. The security guards will continue to be paid directly by the federal government in the 1989 biennium.

Payroll service fees total \$1,230 in fiscal 1988 and \$1,200 in fiscal 1989. Payroll service fees totaled \$1,121 in fiscal 1989. The clothing allowance for officers has been reduced to the fiscal 1987 level of \$25 per officer from the prior level of \$35. This reduction totals \$1,110 both years of the biennium. Inflation on utilities adds \$29,696 in fiscal 1988 and \$60,009 in fiscal 1989 compared with the fiscal 1986 level.

Funding

The Air National Guard is funded with general fund and with federal funds. Federal funds entirely support the 14.0 FTE firefighters and provide 80 percent of the remaining funding of the program, with the exception of travel and other

expenses, which are general funded. General fund totals \$110,520 in fiscal 1988 and \$116,662 in fiscal 1989. Federal funds total \$781,598 in fiscal 1988 and \$808,486 in fiscal 1989.

VETERANS' AFFAIRS

<u>Budget Item</u>	<u>Actual Fiscal 1986</u>	<u>Appropriated Fiscal 1987</u>	<u>- - Current Level - - Fiscal 1988</u>	<u>Fiscal 1989</u>	<u>% Change 1987-89 Biennium</u>
F.T.E.	18.50	18.50	18.00	18.00	0.50
Personal Service	\$398,715	\$396,026	\$392,212	\$392,246	(1.3)
Operating Expense	67,415	58,927	58,781	54,581	(10.3)
Equipment	3,910	-0-	3,500	-0-	(10.5)
Total Operating Costs	\$470,040	\$454,953	\$454,493	\$446,827	(2.6)
Non-Operating Costs	25,000	-0-	-0-	-0-	(100.0)
Total Expenditures	\$495,040 =====	\$454,953 =====	\$454,493 =====	\$446,827 =====	(5.1) =====
<u>Fund Sources</u>					
General Fund	\$495,040 =====	\$454,953 =====	\$454,493 =====	\$446,827 =====	(5.1) =====

Veterans' Affairs provides a statewide service for assisting discharged veterans and their families, files claims, cooperates with state and federal agencies having to do with the affairs of veterans and their families, and promotes the general welfare of veterans with information on veterans' benefits, provision of Veterans' Administration (VA) forms, guidance in completing those forms, and representation before regional VA appeals boards.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E	18.50	18.50	0.00
Personal Service	\$402,332	\$398,715	\$ 3,617
Operating Expense	63,476	67,415	(3,939)
Equipment	<u>4,400</u>	<u>3,910</u>	<u>490</u>
Total Operating Costs	\$470,208	\$470,040	\$ 168
Non-Operating Costs	<u>25,000</u>	<u>25,000</u>	<u>-0-</u>
Total Exp. and General Fund	<u>\$495,208</u>	<u>\$495,040</u>	<u>\$ 168</u>

The underexpenditure in personal services was caused by vacancy savings. The overexpenditure in operating expenses took place in communications, where expenditures were \$5,754 more than the appropriation.

The non-operating expenses consist of capital outlay costs of the veterans' cemetery.

Current Level Adjustments

All expenses of the veterans' cemetery have been removed from current level. One FTE administrative aide position was deleted due to the reorganization of centralized services within the department. A 0.5 FTE word processing operator was increased to 1.0 FTE.

Audit expenses total \$4,200 in fiscal 1988. Audit expenses totaled \$772 in fiscal 1986. The fiscal 1986 secretarial contract for \$9,058 with the DAV and VFW eliminated as part of the department's fiscal 1987 five percent cuts was not included in current level. One-time painting and equipment expenses totaling \$3,309 were eliminated from current level.

Equipment consists of a personal computer.

Funding

Veterans' Affairs is entirely general funded.

DISASTER AND EMERGENCY MANAGEMENT SERVICES

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	22.50	22.50	21.00	21.00	1.50
Personal Service	\$561,704	\$585,939	\$573,197	\$573,072	(0.1)
Operating Expense	132,519	163,146	140,918	132,705	(7.5)
Equipment	18,369	898	-0-	-0-	(100.0)
Total Expenditures	<u>\$712,592</u>	<u>\$749,983</u>	<u>\$714,115</u>	<u>\$705,777</u>	<u>(2.9)</u>
<u>Fund Sources</u>					
General Fund	\$221,351	\$217,517	\$225,395	\$222,401	2.0
Federal and Other	<u>491,241</u>	<u>532,466</u>	<u>488,720</u>	<u>483,376</u>	<u>(5.0)</u>
Total Funds	<u>\$712,592</u>	<u>\$749,983</u>	<u>\$714,115</u>	<u>\$705,777</u>	<u>(2.9)</u>

Disaster and Emergency Services is responsible for the preparation, update, coordination, and testing of all state emergency preparedness, response, and recovery plans. The division is also responsible for radiological defense efforts and calibration and maintenance of radiological instruments. The division consists of two programs: 1) Disaster Coordination Response and 2) Emergency Management Development.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	22.50	22.50	0.00
Personal Service	\$584,589	\$561,704	\$22,885
Operating Expense	162,414	132,519	29,895
Equipment	21,500	18,369	3,131
Total Expenditures	<u>\$768,503</u>	<u>\$712,592</u>	<u>\$55,911</u>
<u>Funding</u>			
General Fund	\$222,376	\$221,351	\$ 1,025
Federal Revenue	<u>546,127</u>	<u>491,241</u>	<u>54,886</u>
Total Funds	<u>\$768,503</u>	<u>\$712,592</u>	<u>\$55,911</u>

Travel was underexpended in the Disaster Coordination and Response Program by \$14,489 and in the Emergency Management Development Program by \$12,111, accounting for the majority of the underexpenditure in operating expenses. In addition, contract services were underexpended by a total of \$8,338 in both programs.

Current Level Adjustments

Disaster Coordination and Response - One FTE training officer position was deleted due to the five percent cuts and pay plan funding. Payroll service fees total \$524 in fiscal 1988 and \$511 in fiscal 1989. Payroll service fees totaled \$269 in fiscal 1986. Audit fees total \$5,880 in fiscal 1988, against total audit fees of \$927 in fiscal 1986. Insurance was increased to \$864 from a fiscal 1986 level of \$482. One-time software and training expenses of \$1,555 were removed from current level.

Emergency Management Development - A 0.5 FTE secretarial position that had been vacant all of fiscal 1986 and was vacant as of November 10, 1986 was deleted from current level. Insurance was added for three leased vehicles previously uninsured, at a cost of \$2,652 in each year of the 1989 biennium. Payroll service fees total \$576 in fiscal 1988 and \$562 in fiscal 1989. Fees totaled \$331 in fiscal 1986. Audit fees total \$2,320 in fiscal 1988. Audit fees totaled \$463 in fiscal 1986.

Funding

The Disaster Coordination and Response Program is funded 50/50 with federal funds and general fund, with the exception of some travel, which is 100 percent federally funded. The Emergency Management Development Program is 100 percent federally funded. The following table shows total funding of the two programs in the 1989 biennium.

Table 6
Funding - Disaster and Emergency Services

	<u>FTE</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Disaster Coordination - General Fund	13.0	\$225,395	\$222,401
- Federal Funds		238,978	235,983
Emergency Management - Federal Funds	<u>8.0</u>	<u>\$249,742</u>	<u>\$247,393</u>
Total Division Funding	<u>21.0</u>	<u>\$714,115</u>	<u>\$705,777</u>

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Total Funds
Executive Budget	1,107.89	\$171,623,389	\$570,707,325
LFA Current Level	1,083.99	161,057,239	532,846,938
Executive Over (Under) LFA	<u>---23.90</u>	<u>\$-10,566,150</u>	<u>\$-37,860,387</u>

For comparison purposes, the above table does not reflect implementation of the new Family and Youth Services Department proposed in the executive budget. To the extent possible, all staff, operating costs and benefit programs that were moved from SRS to the new department under the executive budget are included in the above comparison table.

For the 1989 biennium, the executive budget includes a \$103.7 million increase over the 1987 biennium, which is a 22.2 percent increase in total funding. The LFA current level includes a \$65.8 million increase or 14.1 percent increase in total funding. Under the executive budget, the general fund increases \$26.4 million or 18.1 percent between the 1987 and 1989 bienniums, while the LFA current level funding includes \$15.7 million in additional general fund or a 10.8 percent increase.

Major differences between the executive budget and LFA current level funding include; \$16.6 million in medicaid costs primarily related to higher nursing home caseloads and inflation included in the executive budget; \$6.6 included in the executive budget related to the department's computerization of data collection; \$5.1 million included in the executive budget for general assistance, state medical, and AFDC; and \$3.1 million of federal grant carryover funds included in the executive budget for the Low Income Energy Assistance Program. The balance of the difference occurs in personal services and operating costs.

The following is a brief description by program area of the major issues and differences between the LFA current level analysis and the executive budget report.

ASSISTANCE PAYMENTS

ISSUE 1: COMPUTERIZATION OF COUNTY WELFARE SYSTEMS

For the 1989 biennium, the executive request includes \$4.3 million for the development and installation of computer systems in all county welfare offices. The local systems would be connected to the state's mainframe computer and allow county agencies to verify eligibility of applicants for public welfare. The general fund cost for implementation of the system would be approximately \$620,000.

ISSUE 2: GENERAL ASSISTANCE JOB SEARCH CONTRACT

Both the executive budget and LFA current level include funding for a contract between SRS and the Department of Labor to operate the Job Search and Job Training program. LFA current level funding for the contract is included under contracted services at \$1.8 million for the 1989 biennium. The executive budget includes the cost of the contract as part of the general assistance benefits at \$1.35 million for the biennium. However, because the Jobs program was not begun until fiscal 1987, at this time there is insufficient data with which to accurately estimate the costs of the contract for the 1989 biennium. The Department of Labor is scheduled to provide the legislature with updated information during the legislative session. Funding for this program is 100 percent general fund.

ISSUE 3: GENERAL ASSISTANCE BENEFITS

The executive budget includes approximately \$1.1 million more in general assistance benefits for the 1989 biennium than LFA current level funding. The difference in benefit funding is primarily due to difference in the estimate of the impact of changes in eligibility for the program made during Special Session III and estimates of the impact of the requirement that all able-bodied general assistance recipients participate in the Job Training and Search program.

ISSUE 4: LOW INCOME ENERGY ASSISTANCE PROGRAM (LIEAP)

At current expenditure rates for fiscal 1987, the LIEAP program will have approximately \$2.7 million of federal grant carryover funds available per year for use during the 1989 biennium. The executive budget uses \$1.5 million more per year of these carryover funds than are included in current level.

ISSUE 5: DIFFERENCES IN AFDC FUNDING

The additional \$1.5 million included in the executive budget for AFDC is almost entirely related to 1) the executive including a higher estimate of the unemployed parent caseload; 2) the executive using a higher average payment level to project costs; and 3) an adjustment made by SRS to the payment schedule in response to a federal audit. Of the total biennium request of \$83.4 million, there is less than a 2 percent difference between the executive and LFA current level funding. Funding for the AFDC program is approximately 29 percent general fund, 2 percent county funds and 69 percent federal funds.

FAMILY AND YOUTH SERVICES

ISSUE 6: DEPARTMENT OF FAMILY AND YOUTH SERVICES

In response to the recommendation of the Governor's Council on Reorganization of Youth Services, the executive budget contains a reorganization of Montana's service delivery system for families and youth. Included in the proposed new department are: 1) all youth probation services currently under the youth district courts; 2) SRS child protective services and foster care; 3) the youth correctional institutions of Pine Hills and Mountain View; 4) various SRS community service

programs such as protective and aging services, domestic abuse, and developmental disabilities case management.

With respect to SRS, the only significant impact creation of the new department would have would be the transfer of the Community Services Program in its entirety to the new department. However, as presented in the executive budget, there do not appear to be any significant changes in the "amount, scope or duration" of services that are currently provided through that program.

Although the executive budget reflects a reduction of 10.8 FTE over the fiscal 1987 level authorized for the Community Services Program, the personal services funds associated with the reduced FTE (approximately \$400,000 per year) are included in the new departments operations budget and the cost of the "reduced" FTE are transferred to the Eligibility Determination program in SRS which must absorb the additional personal service cost through increased vacancy savings. This issue and other LFA current level issues are discussed below under Issues 7 through 9 and in more detail in the LFA current level analysis of the Community Services Program.

A second significant change that impacts the general fund support for the program is a change in the way the county participation in funding foster care services is calculated. Currently, counties pay 50 percent of the non-federal portion of foster care for IV-E eligible children. Under the proposed new department, the county would continue to pay 50 percent of the non-federal share until expenditures equaled the level expended in fiscal 1987. Any costs above the fiscal 1987 level would be reimbursed by the counties at 25 percent of the non-federal share. The cost of the funding shift is estimated to be \$30,000 of general fund per year.

COMMUNITY SERVICES

ISSUE 7: REDUCTION IN FTE

When part of SRS, the community services program included approximately 20 percent of the personal service cost for county welfare directors and their staff. These costs were equivalent to 15.8 FTE. Under the executive proposal to transfer the Community Services Division to the newly created Department of Youth and Family Services, the 15.8 FTE associated with the county welfare directors and their staff were eliminated. The executive budget indicates that the Eligibility Determination program will absorb the costs of the county directors and staff through increased vacancy savings. LFA current level funding for the Community Services program includes the \$400,000 per year in personal services costs for the 15.8 FTE county welfare directors and staff.

ISSUE 8: COMPUTER EQUIPMENT

The executive budget for the community services program includes \$850,000 for computer equipment and software. The additional equipment would allow all district, county and state offices to purchase personal computers and provide for on-line access to the mainframe computer at the Department of Administration. Funding for the new equipment would include \$680,000 general fund (or 80 percent of the total cost.) LFA current level funding includes \$6,245 per year for equipment.

ISSUE 9: EXPANSION OF FOSTER CARE

An additional \$250,000 per year is included in the executive budget for expansion of foster care services. These funds would be used to provide additional counseling and community intervention services with the intent of avoiding residential placements. Cost of the expanded services would be \$218,000 per year of general fund and the balance county funds.

ELIGIBILITY DETERMINATION

ISSUE 10: REDUCTION OF FTE

LFA current level funding has reduced the personal services budget 6.36 FTE from the level originally authorized for fiscal 1987 as the result of position transfers and positions that have been vacant over one year. The executive budget includes 2.7 FTE over the level originally authorized for fiscal 1987.

MEDICAL ASSISTANCE

ISSUE 11: ADDITIONAL CONTRACTED SERVICES

The executive budget includes \$2.4 million more in contracted services for the medical assistance program than is included in LFA current level funding. The primary difference is the department's request for projected increases in the cost of operation of the Medicaid Management Information System (MMIS). SRS currently contracts with Consultec, Inc. to operate the system at a cost of \$81,000 per month. The contract with Consultec expires in February 1988 and must be rebid. SRS estimates the cost will increase to \$200,000 per month or an increase of 147 percent. LFA current level funding includes only the current costs of operating the MMIS.

ISSUE 12: MEDICAID NURSING HOME COSTS

The executive budget includes \$3.1 million more for nursing home costs in fiscal 1988 and \$5.7 million more in fiscal 1989 than is included in LFA current level. The difference in funding results from the department's estimate of the growth in the SSI caseload and correlating that growth with increase nursing home utilization. LFA current level funding was based on the past four years of nursing home utilization by medicaid recipients and available nursing home beds.

ISSUE 13: MEDICAID PRIMARY CARE

The executive budget is 3 percent higher or approximately \$2.3 million more per year of the 1989 biennium for primary care than is included in the LFA current level. Because the projections for the 1989 biennium are based on estimates of the fiscal 1986 and 1987 medicaid expenditures, both the executive and LFA current level estimates will be revised with updated information during the legislative session.

ISSUE 14: MEDICAID WAIVER EXPANSION

The executive budget includes \$1.1 million more in fiscal 1988 and \$1.6 million more in fiscal 1989 for expansion of the medicaid waiver for community based services to the elderly.

ISSUE 15: COUNTY MILL LEVY

Included in the funding for the medical assistance program is the 12 mill levy from the counties where the state has assumed operation of the county welfare program. The executive budget includes \$1.2 million more mill levy revenue for the 1989 biennium than is included in the LFA current level. LFA current level funding for the county mill has been adjusted to reflect the recent protest by the Burlington Northern Railroad of all taxes above the 1985 level.

VOCATIONAL REHABILITATION

ISSUE 16: EXPANSION OF GENERAL REHABILITATION SERVICES

The executive budget includes approximately \$500,000 per year to expand general rehabilitation services. Funding for this expansion would use 25 percent state special revenue and 75 percent federal funds. These additional funds are available because LFA current level funding does not use the full federal Vocational Rehabilitation Act grant award that is available in either of fiscal 1988 or 1989. State special revenue funds are Industrial Accident and Rehabilitation Account funds.

ISSUE 17: CONTINUATION OF SPECIAL POPULATION PROGRAM

During the 1985 legislative session the department received \$20,000 general fund as state matching funds for a federal grant to serve severely disable persons who did not meet the eligibility requirements for the regular vocational rehabilitation program. The department indicated to the legislature that the federal grant was a one-time program and would not continue into the 1989 biennium. Congress has provided continued funding for the program and the department is again requesting the necessary general fund match. The total cost of the additional services are approximately \$250,000 per year.

ISSUE 18: EXPANSION OF THE SUPPORTED EMPLOYMENT PROGRAM

The executive budget includes \$720,000 per year of federal funds to expand the supported employment program. Of the total fund available, \$450,000 would be used to provide training to public sector employers of severely handicapped individuals, training of vocational education instructors, and general employment services to severely handicapped individuals. \$250,000 per year would be used to pay salaries and operating expenses for six additional FTE. These FTE would serve as job trainers, provide on-the-job supervision of disabled workers, and solicit employment opportunities for handicapped persons within the public sector.

DEVELOPMENTAL DISABILITIES

ISSUE 20: SPECIALIZED SERVICE AND SUPPORT ORGANIZATION

The executive budget includes \$1.6 million in fiscal 1989 for development of a system of seven group homes in a large Montana city. The seven group homes would eventually serve 52 developmentally disabled persons. Cost of the new program during fiscal 1989 would be approximately \$1.1 million general fund and \$0.5 million federal funds. However, the \$1.6 million requested for fiscal 1989 does not represent the full annualized costs of the program, and the projected cost for fiscal 1990 when the program is fully operational is estimated to be \$2,226,809.

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	1103.07	1132.07	1083.99	1083.99	48.08
Personal Service	\$ 24,526,098	\$ 24,812,753	\$ 25,602,981	\$ 25,605,454	3.8
Operating Expense	10,246,548	9,174,353	9,718,882	9,782,647	0.4
Equipment	241,694	49,354	81,718	68,066	(48.5)
Total Operating Costs	\$ 35,014,340	\$ 34,036,460	\$ 35,403,581	\$ 35,456,167	2.6
Non-Operating Costs	197,083,464	200,975,259	226,845,399	235,141,791	16.1
Total Expenditures	\$232,097,804 =====	\$235,011,719 =====	\$262,248,980 =====	\$270,597,958 =====	14.1 =====
<u>Fund Sources</u>					
General Fund	\$ 72,911,221	\$ 72,469,930	\$ 80,686,364	\$ 80,370,875	10.8
State Special	7,777,527	7,956,887	7,134,063	7,199,469	(8.9)
Federal and Other	151,409,056	154,584,902	174,428,553	183,027,614	16.8
Total Funds	\$232,097,804 =====	\$235,011,719 =====	\$262,248,980 =====	\$270,597,958 =====	14.1 =====

The Department of Social and Rehabilitation Services administers the majority of the state's human services programs. Services include cash assistance payments to recipients of Aid to Families With Dependent Children, and the General Assistance Relief Program in state assume counties; foster care services, reimbursement to health care providers for medical services to medicaid clients; services for the vocational and visually handicapped; and community-based placement services for the state's developmentally disabled.

As shown in the above table, the increases in costs between fiscal 1986 and the LFA current level 1989 biennium occur primarily in the grants and benefits portion of the budget which increases 16.1 percent. Operating costs rise only 2.6 percent over the same period. Current level funding does not include an inflationary increase in the rate of reimbursement paid to service providers, and approximately 70 percent of the total increase in costs are attributable to the projected increases in AFDC, SSI, and general assistance caseloads.

Although total funds increase 14.1 percent, general fund increases only 10.8 percent while federal funds increase 16.8 percent. The majority of the state special revenue funds are the 12 mills levied by those counties where the state has assumed responsibility for operation of the local welfare program. Because the Burlington Northern Railroad has protested their taxes, projected revenue from the 12 mills for the 1989 biennium is lower than the amount received during the 1987 biennium.

Two factors create the disproportionate increase in federal funds. First, the ratio of state/federal funding for most benefit programs is expected to increase significantly between the 1987 and 1989 biennium. During the 1987 biennium, the federal match rate averaged 66.53 percent federal funds and is projected to increase

to 69.92 percent federal funds over the 1989 biennium. Thus, some of the increased cost of providing services is shifted from the state to the federal government. Second, because the largest increases in costs between the 1987 and 1989 biennium occurred in benefit programs which include federal funds, those portions of the budget that are predominately general funded do not increase at the same rate, and overall the increase in general fund is lower than the increase in federal funding.

ASSISTANCE PAYMENTS

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	47.50	47.50	45.55	45.55	1.95
Personal Service	\$ 1,182,928	\$ 1,268,435	\$ 1,302,897	\$ 1,303,720	6.3
Operating Expense	1,694,631	1,803,675	2,573,416	2,762,685	52.5
Equipment	32,769	6,000	7,910	7,910	(59.2)
Total Operating Costs	\$ 2,910,328	\$ 3,078,110	\$ 3,884,223	\$ 4,074,315	32.9
Non-Operating Costs	52,172,598	50,157,659	57,194,555	60,887,496	15.4
Total Expenditures	<u>\$55,082,926</u>	<u>\$53,235,769</u>	<u>\$61,078,778</u>	<u>\$64,961,811</u>	<u>16.4</u>
<u>Fund Sources</u>					
General Fund	\$16,591,311	\$14,125,618	\$17,317,862	\$18,453,031	16.5
Federal Revenue	<u>38,491,615</u>	<u>39,110,151</u>	<u>43,760,916</u>	<u>46,508,780</u>	<u>16.3</u>
Total Funds	<u>\$55,082,926</u>	<u>\$53,235,769</u>	<u>\$61,078,778</u>	<u>\$64,961,811</u>	<u>16.4</u>
 <u>ISSUES:</u>					
	- - - - - Fiscal 1988 - - - - -		- - - - - Fiscal 1989 - - - - -		
	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. AFDC Payment Level					
Option A:	\$(708,119)	\$(1,718,609)	\$(1,378,600)	\$(3,673,069)	
Option B:	(446,744)	(1,084,251)	(1,103,881)	(2,941,123)	
Option C:	(185,369)	(449,893)	(829,162)	(2,209,177)	
Option D:	337,380	818,822	(279,725)	(745,285)	
Option E:	860,130	2,087,538	269,713	718,608	
2. AFDC Funding Limits	N/A	N/A	N/A	N/A	

The Assistance Payments Program is administered through the Economic Assistance Division and includes aid to families with dependent children (AFDC), the state administered general assistance program, low income energy assistance program (LIEAP), the weatherization program, and the food stamp and food commodities programs. Administrative staff of the program are primarily involved in developing policy, coordinating with federal agencies, and monitoring implementation of the 13 grant and benefit programs operated by the division.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	47.50	46.37	1.13
Personal Service	\$ 1,278,280	\$ 1,182,927	\$ 95,353
Operating Expense	1,766,335	1,689,633	76,702
Equipment	6,500	32,771	(26,271)
Total Expenditures	\$ 3,051,115	\$ 2,905,331	\$ 145,784
Grants and Benefits	48,595,248	46,851,581	1,743,667
Total Costs	<u>\$51,646,363</u>	<u>\$49,756,912</u>	<u>\$1,889,451</u>
Funding			
General Fund	\$13,495,336	\$13,584,551	\$ (89,215)
Federal Revenue	38,151,027	36,172,361	1,978,666
Total Funds	<u>\$51,646,363</u>	<u>\$49,756,912</u>	<u>\$1,889,451</u>
Additions			
Budget Amendments			
Food Assistance	\$ -0-	\$ 5,000	\$ (5,000)
Supplementals			
General Assistance	-0-	1,808,712	(1,808,712)
AFDC	-0-	3,512,305	(3,512,305)
Total Additions	<u>\$-----0-</u>	<u>\$5,326,017</u>	<u>\$(5,326,017)</u>

The decrease of 1.13 FTE from the legislatively authorized level of 47.5 results from the transfer of 1.0 FTE and 0.34 FTE administrative officer positions to the Medical Assistance Program and the addition of a 0.21 staff development specialist to the Assistance Payments Program. The two administrative officer positions were actually performing work in the Medical Assistance Program and the transfer will more accurately charge their costs to the medicaid program. The staff development position was added to implement an in-house training program as opposed to the training that was previously contracted for through the University of Montana.

Reduced personal service costs are primarily attributable to the reduction in FTE. However, the program also experienced vacancy savings as a result of not filling some positions as they became vacant during the year.

As may be seen from Table 1, operating expenses were underexpended by \$76,704, or 4.3 percent of the legislative authorization. The major area of underexpenditure occurred in supplies and materials which were underspent by \$65,273, or 49 percent of the \$129,434 budgeted. Reductions were primarily in printing, microfilm, and general office supply costs. Changes in the state telephone

system also resulted in underexpenditure of approximately \$20,000 in communications. Travel expenditures were \$13,000 over the legislatively anticipated levels. Rent was \$16,000 over the budget level primarily due to increased food commodity storage costs.

The following table shows the legislatively anticipated expenditures for the grants and benefits portion of the budget and actual expenditures for fiscal 1986.

Table 2
Assistance Payments
Comparison of Legislative Anticipated Expenditure for
Benefits and Actual Expenditures in Fiscal 1986

Benefit	Legislation	Actual	Difference
Food Stamp Issuance	\$ 26,458	\$ 24,386	\$ 2,072
Nonresident GA	30,000	29,999	1
Legal Services	100,000	99,999	1
TEFAP	156,400	139,713	16,687
IVA Training	171,984	71,910	100,074
Job Search	174,578	153,523	21,055
Solar Bank	187,500	58,651	128,849
IVA Day Care	465,960	579,027	(113,067)
CSBG	1,189,334	1,207,819	(18,485)
Weatherization	1,784,220	1,705,905	78,315
General Assistance	2,777,906	2,777,906	-0-
LIEAP	11,256,830	9,728,665	1,528,165
AFDC	30,274,077	30,274,077	-0-
Total Benefits	<u>\$48,595,247</u>	<u>\$46,851,580</u>	<u>\$1,743,667</u>
Funding			
General Funds	\$12,814,070	\$12,750,997	\$ 63,073
Federal Funds	35,781,177	34,100,583	1,680,594
Total Funds	<u>\$48,595,247</u>	<u>\$46,851,580</u>	<u>\$1,743,667</u>
Additions			
Supplemental			
General Assistance	\$ -0-	\$1,808,712	\$(1,808,712)
AFDC	-0-	3,512,305	(3,512,305)
Total Additions	<u>\$-----0-</u>	<u>\$5,321,017</u>	<u>\$(5,321,017)</u>

Although Table 2 shows a \$1.7 million underexpenditure between the legislatively anticipated expenditure and actual fiscal 1986 expenditure, when the supplemental appropriations for AFDC and general assistance are included, there is a net overexpenditure of \$3,577,350 in grants and benefits for fiscal 1986, of which \$2,873,026 is general fund. Total expenditures for general assistance during fiscal 1986 were \$1.8 million or 65 percent over the originally authorized appropriation.

Expenditure for AFDC was \$3.5 million or 11.6 percent over the original appropriation. Specific differences between the 1986 legislative appropriation and actual expenditure are discussed below, as well as adjustments made to current level funding.

Current Level Adjustments

Operations. Through a series of position transfers and elimination of a position that had been used to pay the Economic Assistance Division administrator who is fully funded by the Medical Assistance Program, there was a net reduction of 1.95 FTE.

Contracted services are increased \$862,344 in fiscal 1988 and \$1,056,528 in fiscal 1989 for costs associated with the Job Search and Training Program for able-bodied general assistance recipients. The contact is with the state department of labor in response to the mandates of House Bill 12 passed during Special Session III which required all able-bodied general assistance recipients to participate in a job training and job search program. Because the program began operation in fiscal 1987, insufficient data is available to accurately project the costs of the program for the 1989 biennium. The estimate included in current level funding is based on an average monthly job search caseload of 413 in fiscal 1988 and 506 in fiscal 1989, at an average cost per case of \$174.

Minor adjustments made to operating expenses include a \$14,000 reduction in one time contracted services, and an increase of \$4,000 in supplies and materials to compensate for projected welfare caseload increases.

Equipment expenditures were reduced \$24,800 from the fiscal 1986 level and include purchase of miscellaneous computer and office equipment.

The following table shows the fiscal 1986 actual expenditures and current level funding for grants and benefits in the Assistance Payments Program.

Table 3
Comparison of Fiscal 1986 Actual Expenditures and
Current Level Funding

Program	Actual	Current Level	
	Fiscal 1986	Fiscal 1988	Fiscal 1989
Food Stamp Issuance	\$ 24,386	\$ 25,000	\$ 25,000
Nonresident GA	29,999	30,000	30,000
Solar Bank	58,651	60,000	60,000
IVA Training	71,910	72,000	72,000
Legal Services	99,999	-0-	-0-
TEFAP	139,713	-0-	-0-
Job Search	153,523	231,752	231,752
Day Care	579,027	700,622	770,685
CSBG	1,207,819	1,307,485	1,361,864
Weatherization	1,705,905	1,784,220	1,784,220
General Assistance	4,586,618	3,818,256	4,797,864
LIEAP	9,728,665	9,492,521	9,492,521
AFDC	33,786,382	39,672,699	42,261,590
Total Benefits	<u>\$52,172,597</u>	<u>\$57,194,555</u>	<u>\$60,887,496</u>

Food Stamps

The \$24,386 expended for food stamps under grants and benefits is only for administration of the food stamp issuance program on Indian reservations. Although the food stamps issued are 100 percent federally funded, the cost of administering the program on the reservations is 50 percent general fund. Costs for this program have been fairly stable around \$25,000 per year for the last two biennia. Current level funding for the program is \$25,000 per year of the 1989 biennium.

Non-resident General Assistance

State statutes provide that general assistance payments for non-residents of the state is the responsibility of SRS rather than the counties. Section 53-3-201, MCA states:

Nonresidents or interstate transients may receive temporary relief from county funds in cases of extreme necessity and destitution until they are returned at state expense to their state of residence or origin.

In the 12 counties where the state has assumed responsibility for operation of the welfare programs, expenditures for non-resident general assistance are 100 percent general fund. Table 4 shows the expenditures for the non-resident general assistance program from fiscal 1981 through fiscal 1986.

Table 4
Non-resident General Assistance Costs
Fiscal Years 1981 through 1986

Fiscal Year	Expenditures
1981	\$43,816
1982	27,783
1983	31,322
1984	27,512
1985	66,999
1986	29,999

As may be seen from Table 4, costs for the program averaged around \$30,000 per year up to fiscal 1985. However, during fiscal 1985, SRS entered an agreement with a local private non-profit social agency in Lewis and Clark County to reimburse the agency at the rate of \$20.00 per day for meals and sleeping accommodations provided to both intrastate and interstate transients. Based on their experience during fiscal 1985, SRS anticipated a large overexpenditure for fiscal 1986 and 1987 and submitted a supplemental request to the legislature during Special Session II that would have increased the appropriation for the program to approximately \$70,000 per year of the 1987 biennium. However, because SRS had no specific written policies or rules governing administration of the program and because there were serious questions raised by the legislature regarding the authority under which SRS had entered into the agreement to pay for room and board for intrastate transients, SRS opted to discontinue the program after the original appropriation was exhausted.

The current level funding for non-resident general assistance is \$30,000 per year of the 1989 biennium. The current level funding is based on providing emergency relief and transportation to interstate transients.

Legal Services

For each year of the 1987 biennium funds of \$100,000 were appropriated to contract with the Montana Legal Services Association. The contract was intended to reduce the general assistance caseload by assisting general assistance clients in qualifying for social security disability benefits. Although the state's accounting records show the full \$100,000 expended during fiscal 1986, in fact Legal Services only billed \$29,350 for the cases that had been completed. The balance of the appropriation was accrued against future billing for work on cases begun during fiscal 1986 but not yet completed. The maximum charge by legal services per case is \$330.

As of July 1986, of the 286 fiscal 1986 cases that Legal Services was reporting, 51 cases had been won, 5 lost, 13 closed with no action, and 217 were still in the adjudication process. Estimates of actual dollar savings as a result of reduced general assistance expenditures are difficult due to the uncertainty in predicting how long clients would have remained on general assistance. However, assuming the average disabled client remains on general assistance for 6 months, the net savings to the state for general assistance payments would be \$32,910 for the 51 cases won. Because clients who are eligible for general assistance also receive state medical

benefits in addition to the savings in general assistance payments, there are savings under the state medical program.

Because the legal services appropriation was specifically limited to the 1987 biennium and was not to be included as part of the base budget for the 1989 biennium, no funds for this program are included in the current level funding.

Emergency General Assistance

The 1985 legislature approved general fund of \$100,000 per year of the 1987 biennium for emergency general assistance. These funds were to provide a maximum of three days emergency relief to individuals who might be adversely affected by the proposed changes in the General Assistance Program under House Bill 843. Because the Supreme Court maintained the eligibility requirements in effect prior to passage of House Bill 843, these funds were not needed during the 1987 biennium. No funds are included in the current level for this program.

Temporary Emergency Food Assistance Program

The Temporary Emergency Food Assistance Program (TEFAP) is a federal grant program for the storage and distribution of food commodities such as cheese, powdered milk, cornmeal, oats, and flour. SRS receives the grant from the U. S. Department of Agriculture and reallocates the funds to local agencies according to federal regulations that limit the amount of the local award to 5 percent of the value of the USDA food commodities distributed by that agency. Although paid from benefits and claims during fiscal 1986, current level costs for this program are included under the operations portion of the budget because these are contracts with local agencies,. Included under current level operations are \$120,000 in contracted services for distribution costs and \$36,000 under rent for storage of food commodities.

IVA Training

Training is provided to county eligibility technicians regarding changes in eligibility requirements for AFDC, LIEAP, food stamps, and medicaid. Funding for this training is a mix of federal Title IVA, county, and general fund. The 1985 legislature appropriated \$156,222 for a training contract with the University of Montana. Included in this appropriation was 50 percent (\$78,111) federal funds and 50 percent funding from the university which was to provide the required matching funds. Additionally, the department was appropriated \$15,762 general fund that could be used for non-university training. SRS decided not to contract with the university and to provided the training using in-house resources. The \$15,762 of general fund plus a matching amount of federal IVA funds were transferred from benefits to travel in the operating budget for training related travel expenses. These funds are included in the current level operating budget. The \$71,910 expended under the benefits category are IVA funds and do not include any university match. The current level funding for training under the benefits category includes \$72,000 of federal IVA funds for each year of the biennium.

Job Search

The U.S. Department of Agriculture requires that all able-bodied food stamp applicants register with the Montana Job Service Office as a condition of receiving food stamps. To assist food stamp applicants in finding employment, the Department of Agriculture provides funds to SRS. SRS then contracts these federal job search funds to local job service offices to provide such services as matching applicants with available openings, referring clients to other job training programs, and providing limited counseling and testing. SRS estimates the funds available to the department for the 1989 biennium will be \$231,752 each year of the biennium. These funds have been included in current level.

Solar Bank

The Solar Energy and Energy Conservation Bank of the Department of Energy provides funds to repair or replace heating systems for low income families who are below 125 percent of the federal poverty level. Federal funds received by SRS are allocated to the ten Human Resource Development Councils (HRDC) according to a formula based on the percentage of low income families in the area served by the HRDC. The HRDC then provides grants to eligible families to offset one-half of the cost of replacing worn or damaged heating units. Although SRS was appropriated \$187,500 for each year of the 1987 biennium, only \$58,651 was expended during fiscal 1986. SRS indicated that expenditures were low due to the requirement that 50 percent of the cost of the program must be born by the low income family. Although SRS anticipates that \$187,500 will also be available for each each year of the 1989 biennium, current level funding only includes \$60,000 per year of the 1989 biennium to reduce the possibility of excess federal spending authority for the department.

IVA Day Care

Day care is provided to AFDC clients who are participating in a training program such as vocational education or the WIN work experience program. For AFDC recipients who are working, day care is considered a work-related expense and an income deduction of up to \$160 per month per child is incorporated in calculation of their benefit payment. Costs associated with day care provided to an AFDC recipient who is participating in a training program such as vocational technical school or the WIN work experience are paid directly to the day care provider. Funding for the program is similar to AFDC with 30 percent general fund, 2 percent county funds, and 68 percent federal Title IVA Funds.

Although the IVA day care is provided for AFDC recipients, the increased costs for day care do not increase at the same rate as the AFDC caseload. Table 5 shows the annual cost for day care and the average monthly AFDC caseload for fiscal 1984 through fiscal 1986.

Table 5
Day Care Costs and Average Monthly AFDC Caseload
Fiscal 1984 through Fiscal 1986

	Fiscal 1984	Fiscal 1985	Fiscal 1986
Day Care Costs	\$428,745	\$515,763	\$579,027
AFDC Caseload	7,125	7,622	8,675

As may be seen from Table 5, day care costs increased \$87,018 or 20 percent between fiscal 1984 and fiscal 1985, but the AFDC caseload only increased 497 cases or 7 percent. Between fiscal 1985 and fiscal 1986 day care costs rose 12 percent while the AFDC caseload rose 14 percent during the same time period. The current level funding for day care is based upon a 10 percent growth in the cost of care each year through the 1989 biennium. The 10 percent increase assumes a freeze in provider rates and a declining rate of growth in the day care caseload.

Community Service Block Grant

The Community Service Block Grant (CSBG) is a federally funded program intended to identify and ameliorate the causes of poverty at the community level. Section 53-10-502, MCA, requires that 90 percent of the funds be allocated to the ten Human Resource Development Councils (HRDC) in support of local programs, 5 percent may be retained by SRS for administration, and 5 percent may be used by SRS as discretionary funds for programs considered to be within the general guidelines of the federal grant. However, except for the 5 percent allowed for administration, the 1985 legislature required that all CSBG funds were to be allocated to the HRDC's. Community Service Block grant funds are primarily used by the HRDC's for administrative costs and the overhead costs of programs such as food distribution and day care. SRS estimates the fiscal 1988 CSBG funding at \$1,376,300 and the fiscal 1989 funding at \$1,433,541. This funding has been included in the current level with 5 percent per year allocated to administration.

Weatherization

This federally funded program is intended to assist low income families who are below 125 percent of the federal poverty level in weatherization of their homes. Program activities include insulation, caulking, storm windows, and minor building repair that would enhance the heating retention of the building. The amount of the individual grant is determined by family size with a maximum allowable grant of \$1,600. Approximately 2 percent of the total grant award is used by SRS for administration with the balance allocated to the Human Resource Development Councils, Area Agencies on Aging, and county welfare offices for local distribution as grants to low income families. Although SRS anticipates \$1,854,924 would be available in fiscal 1988 and \$1,929,121 in fiscal 1989, because the program was underspent by \$78,000 during fiscal 1986, the current level funding for this program is \$1,784,220 which is the same level authorized for the 1987 biennium.

General Assistance

The General Assistance Program is intended to provide financial assistance to needy persons who do not qualify for any other state or federal benefit program. For example, an able-bodied single female age 35 with no dependent children and no income would not qualify for AFDC payments but would be eligible for general assistance. Likewise, a married couple with no income who were both under 60 years of age, not disabled, and with no dependent children in the home would not qualify for either AFDC or SSI but would be eligible for general assistance. Table 6 presents the maximum monthly income standard that a family must meet to be eligible for general assistance during 1986. During Special Session III, the general assistance rates for fiscal 1987 were frozen at the fiscal 1986 level.

Table 6
Monthly Income Standard for General Assistance
Fiscal 1986 and 1987

Family Size	Fiscal 1986	Fiscal 1987
1	\$212	\$212
2	284	284
3	358	358
4	432	432
5	506	506
6	580	580

If the family meets the maximum income standard shown in Table 6, then the amount of the monthly payment is determined by subtracting any family income from the maximum income standard. For example, a family of two with a monthly income of \$150 would receive a general assistance payment of \$134 in fiscal 1986. All general assistance recipients are also eligible for other subsidies such as food stamps and fuel assistance grants. Additionally, individuals who meet the minimum income standards to qualify for general assistance would also qualify for the state Medical Assistance Program.

Funding for the General Assistance Program is 100 percent general fund in the 12 counties where the state has assumed administration of the county welfare programs and 100 percent county funds in the other 44 counties. Two factors determine general assistance costs: 1) the size of the caseload, and 2) the amount of the average monthly payment. Table 7 shows the growth of the general assistance caseload and average monthly payment for the 12 assumed counties from fiscal 1982 through fiscal 1987.

Table 7
General Assistance Caseload, Monthly Payment Level, and Total Cost
Fiscal 1982 through 1987

<u>Fiscal Year</u>	<u>Caseload</u>	<u>Payment Level</u>	<u>Total Cost</u>
1982	713	\$117	\$1,001,052
1983	947	140	1,590,960
1984	1,205	141	2,038,779
1985	1,704	207	4,245,721
1986	1,931	198	4,586,618
----- Projected -----			
1987	1,807	210	4,554,301

Between fiscal 1984 and 1986 the average monthly caseload increased by 60 percent and the average payment level increased 49 percent. The effect of such significant growth in both caseload and payment level was a \$2,547,839 or 125 percent increase in total costs. A major factor that increased the general assistance costs in the assumed counties was a lawsuit filed in February 1984 against the Department of Social and Rehabilitation Services on behalf of the welfare recipients. The result of this case was to establish the payment levels at the same level as AFDC payments for comparable family sizes. The 1987 biennium appropriation for general assistance was based on significant changes made to the eligibility criteria for the program. House Bill 843 eliminated general assistance benefits for all able-bodied persons under 35 years of age and restricted payments for able-bodied individuals between 36-50 to 2 months in any 12 month period. However, the Supreme Court ruled that House Bill 843 was unconstitutional and that SRS would have to pay general assistance benefits according to eligibility criteria in effect prior to House Bill 843.

During the March 1986 Special Session II, because of the restrictions on implementing the provisions of House Bill 843, it was anticipated that the general assistance appropriation for the 1987 biennium would be overspent by approximately \$3.6 million and SRS received a supplemental appropriation for that amount. Three months later, during Special Session III, the department revised its estimate and indicated that with the \$3.6 million supplemental and without changes to the General Assistance Program, the department was facing a \$100,000 general fund deficit for the 1987 biennium. To reduce the projected deficit, the legislature during Special Session III froze the payment level for fiscal 1987 at the fiscal 1986 level and made significant changes to the eligibility criteria for the program. House Bill 33 amended the statutes relating to general assistance to limit the duration of assistance provided to an able-bodied person to only 2 months during a 12 month period. The impact of the two changes not only eliminated the anticipated need for a supplemental but also reduced the original fiscal 1987 appropriation by \$381,466. However in September 1986, the Butte Community Union again filed suit in the Montana Supreme Court to block implementation of House Bill 33 and the eligibility changes and restriction on the length of time a person could receive assistance. The case is still in the process of litigation.

Current level funding for the General Assistance program is based on the assumption that the Supreme Court will allow House Bill 33 to be implemented. Table

8 shows the actual fiscal 1986, projected fiscal 1987, and current level 1989 biennium funding for the General Assistance Program.

Table 8
Current Level Funding General Assistance
Fiscal 1986 through 1989

	Actual Fiscal 1986	Projected Fiscal 1987	- - - Current Level - - - Fiscal 1988	Fiscal 1989
Cases	1,931	1,807	1,508	1,801
Payment	x \$210	x \$210	x \$211	x \$222
Month	x 12	x 12	x 12	x 12
Total Cost	<u>\$4,586,618</u>	<u>\$4,554,301</u>	<u>\$3,818,256</u>	<u>\$4,797,864</u>

As is the case with AFDC, general assistance payment levels are set by the legislature as a percentage of the federal poverty index. According to Department of Social and Rehabilitation Service's attorneys, because both the AFDC and General Assistance Programs are intended to serve similar indigent populations and are based on a similar needs tests, the payment levels must also be comparable to avoid violation of the equal protection clause of the constitution. The current level benefits do not include funds to contract with the department of labor to operate the Job Search Program. This issue is discussed in more detail in the analysis of the department of labor's budget.

Low-Income Energy Assistance Program

The Low-Income Energy Assistance Program (LIEAP) is a federally funded program intended to assist low-income families in meeting the fuel costs of home heating. Local administration of the program is provided by the ten regional Human Resource Development Councils. Under the current administrative policy, the state uses 125 percent of the federal poverty level as the upper limit for eligibility. The amount of the individual award to a family is calculated using a complex matrix that includes evaluation of the family resources and the type of home. Federal regulations provide considerable flexibility to states in administering the program: 1) up to 10 percent of the grant award may be used for administration; 2) 10 percent of the grant may be transferred to any other block grant program; 3) up to 20 percent may be transferred to the weatherization program; 4) 15 percent of the grant award may be carried forward from one federal fiscal year to the next; 5) eligibility may be set anywhere up to 150 percent of the federal poverty index. Table 9 shows the fiscal 1986 actual expenditures for the LIEAP program, the estimated fiscal 1987 expenditures, and the current level funding for the 1989 biennium.

Table 9
Low Income Energy Assistance Funds and Expenditures
Fiscal 1986 through the 1989 Biennium

Funds Available	Actual	Projected	- - - - Current Level - - - -	
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
Grants	\$11,665,225	\$11,665,225	\$11,665,225	\$11,665,225
Carryover	1,893,803	2,169,198	2,719,647	2,695,096
Oil Overcharge Funds	-0-	575,000	-0-	-0-
Exxon Funds	-0-	1,666,000	-0-	-0-
Total Funds Available	\$13,559,028	\$16,075,423	\$14,384,872	\$14,360,321
Expenditures				
Transfer Developmental				
Disability	\$ 1,169,310	\$ 1,169,310	\$ 1,169,310	\$ 1,169,310
State Administration	492,277	492,277	492,277	492,277
Local Administration	535,668	535,668	535,668	535,668
Fuel Assistance Grants	9,189,312	10,855,312	9,189,312	9,189,312
Weatherization	669,963	1,003,209	1,003,209	1,003,209
Refunds	(666,700)	(700,000)	(700,000)	(700,000)
Total Expenditures	\$11,389,830	\$13,355,776	\$11,689,776	\$11,689,776
Ending Fund Balance	\$ 2,169,198	\$ 2,719,647	\$ 2,695,096	\$ 2,670,545

As may be seen from Table 9, during fiscal 1986 approximately 9 percent of the fiscal 1986 grant award was used for state and local administration; 10 percent of the grant award was transferred to the Developmental Disabilities Program; and 6 percent was used in the Weatherization Program. Because Table 9 is set on a state fiscal year rather than a federal fiscal year, it appears that 19 percent of the grant award was carried over to fiscal 1987. However, approximately \$300,000, of these "carry over" funds are committed under contracts that extend to September 30, 1986, the end of federal fiscal year 1986.

During the 1985 session, less carry over funds were anticipated to be available for fiscal 1987 and the legislature included in the fiscal 1987 appropriation, \$575,000 of oil overcharge funds. During Special Session III, the legislature also appropriated \$1,666,000 of the Exxon oil over charge funds for the LIEAP program in conjunction with weatherization. However, as a result of both declining fuel costs and a lower caseload, actual expenditures for the LIEAP program were lower in fiscal 1986 than in fiscal 1984. Current level funding for the program assumes no increase in the LIEAP grant award amount, includes a 10 percent transfer to the Developmental Disabilities Program, and allocates 8.6 percent of the grant award for weatherization as was the intent of the 1985 legislature.

Aid to Families with Dependent Children

Aid to Families With Dependent Children (AFDC) is a cash assistance program for needy families with dependent children. The AFDC program is funded with 30

percent general fund, 2 percent county funds, and 68 percent federal Title IV-A funds. Two factors determine the overall costs of this program: the caseload size, and the average monthly payment level.

Caseload

Although federal funds cover over 60 percent of the cost of AFDC, states are allowed considerable flexibility in establishing the eligibility criteria for AFDC. Three financial criteria are used to determine eligibility for AFDC payments: the need standard, the gross maximum income level, and the payment standard. Table 10 presents the need standard, the gross maximum income allowable (185 percent of the need standard), and payment standard for Montana and six other western states in effect during fiscal 1984.

Table 10
Monthly Need and Payment Standards for Determining
AFDC and Medicaid Eligibility During Fiscal 1984

State	- - - - 2 Person Family - - - -			- - - 4 Person Family - - - -		
	Need	Gross Income	Payment	Need	Gross Income	Payment
Utah	\$531	\$982	\$276	\$772	\$1,428	\$401
Idaho	446	825	245	627	1,160	344
Montana	337	623	279	513	949	425
Wyoming	320	592	320	390	721	390
Colorado	307	568	307	470	869	470
North Dakota	289	535	289	437	808	437
South Dakota	280	518	280	361	668	361

First, under very broad federal guidelines, the state must establish a need standard. The need standard is the amount of money a state determines essential to meet a minimum standard of living in that state for a specified family size. The federal regulations which a state must follow in establishing a need standard are so broad that states may use any method considered reasonable. As may be seen from Table 10, the need standards vary considerably among the seven states ranging from a high of \$531 for a family of two in Utah down to \$280 in South Dakota.

The second criteria used to determine AFDC eligibility is the gross maximum income allowable. The gross income level is the maximum amount of income a family unit may receive before any deductions are made and still qualify for AFDC. The only restriction federal regulations place on the state in determining the gross monthly income level is that no family unit whose gross income exceeds 185 percent of the state's established need standard for that family size may be eligible for AFDC. Most states, including Montana, set the gross monthly income level at 185 percent of the need standard.

The third criteria is the payment standard. The payment standard is the maximum amount of cash assistance the state will pay a specific size family unit that qualifies for AFDC. The only restriction the federal government places on the payment standard is that it must be greater than the payment level in effect on July

1, 1969 for comparable family size. In Montana, the payment standard has been set by the legislature as a percentage of the federal poverty index.

Table 11 shows hypothetical examples of the calculation of AFDC eligibility for families of two, three, and four members.

Table 11
Calculation of AFDC Eligibility for Three Hypothetical Families

	Family of 2	Family of 3	Family of 4
Gross Income Standard	\$631	\$792	\$951
Family Income	440	800	925
Deductibles			
Work Allowance	75	-0-	75
Child Care	<u>160</u>	<u>-0-</u>	<u>320</u>
Net Income	\$205	\$-0-	\$530
Need Standard	\$341	\$-0-	\$514
If net income is less than need standard:			
Payment Standard	\$282	\$-0-	\$-0-
Net Income	<u>205</u>	<u>-0-</u>	<u>-0-</u>
AFDC Payment	<u>\$ 77</u>	<u>\$-0-</u>	<u>\$-0-</u>

As the first step in qualifying for AFDC, a family's total gross income is measured against the gross maximum income allowable. If the family gross income is greater than the standard (as is the case with the family of three in Table 11, then the family does not qualify for AFDC. If the gross income is less than the maximum, federal regulations allow a deduction of \$75 from the earned income level plus actual child care costs up to \$160 per child for day care. The net income (gross income minus deductibles) is then compared to the need standard. If the net income is greater than the need standard (as is the case with the family of four in Table 11) then the family does not qualify for AFDC. If the net income is less than the need standard, the applicant's income is compared to the payment standard; if all other eligibility criteria have been met, the applicant qualifies to receive the difference between the payment standard and the applicant's net income.

Payment Level

The AFDC payment level is established by the legislature. The 1985 legislature set the maximum monthly payment at a level projected to equal 47 percent of the poverty index calculated by the federal government and published annually by the Department of Health and Human Services. Table 12 shows the maximum monthly payment level for fiscal years 1985 through 1987 by family size at 47 percent of the federal poverty index.

Table 12
Maximum AFDC Monthly Payment Level
Fiscal 1985 through 1987

Family Size	Fiscal 1985	Fiscal 1986	Fiscal 1987	% Change 1985-87
1	\$212	\$212	\$212	0.0
2	279	282	282	1.1
3	332	354	354	6.6
4	425	426	426	2.4
5	501	501	501	0.0
6	564	570	570	1.1
Average Payment	\$312	\$318	\$320	2.6

The average payment level is used to calculate the projected expenditure for AFDC and is the average of all payments to AFDC recipients after adjustments are made for earned income, resources, and family size.

Under the current Administrative Rules of Montana 46.10.405 entitled "Adjustment Of Assistance Payments To Available Funds," The Department of Social and Rehabilitation Services is authorized to adjust the AFDC payment level according to funds available.

When funds are not available to meet full budget deficiency payment or to meet medical benefits in full, payments will be reduced on an equitable basis, applying in all counties of the state. The reduction will be percentage reductions from the full budget requirements in accordance with funds available.

During the 1985 biennium, the Department of Social and Rehabilitation Services implemented the provisions of this administrative rule and froze the fiscal 1985 payments at the fiscal 1984 level. The department did not choose to implement this rule in fiscal 1986 when faced with a \$3.4 million deficit. During Special Session III, the legislature did freeze the AFDC payment levels for fiscal 1987 at the fiscal 1986 level. By freezing the payment at the fiscal 1986 rate, this reduced the payment level to approximately 45 percent of the fiscal 1987 poverty index. However, despite the payment freeze both the caseload and the total cost will significantly exceed the projections used during the 1985 legislative session to establish the 1987 biennium AFDC appropriation.

In addition to the AFDC payment, all AFDC recipients qualify for medicaid, and most receive other benefits such as assistance with fuel bills, food stamps, and day care. Including just the AFDC payment and medicaid benefits, the average monthly cost per AFDC recipient during fiscal 1986 was \$601.31. During March 1986, the Department of Social and Rehabilitation Services calculated the value of the average total benefits received by each AFDC client to be \$923.30 per month.

Current Level Funding of AFDC

The current level funding for AFDC maintains the AFDC payment level at the same level established during Special Session III for fiscal 1987. Table 13 shows the fiscal 1986 actual expenditures for AFDC, the projected fiscal 1987, and current level funding of AFDC during the 1989 biennium.

Table 13
Current Level Funding For AFDC
Fiscal 1986 through 1989

Caseload	Actual Fiscal 1986	Projected Fiscal 1987	- - - - Current Level - - - - Fiscal 1988	Fiscal 1989
Avg. Monthly Caseload				
Regular	8,052	8,471	9,289	9,898
Unemployed Parent	623	750	800	850
<u>Payment</u>				
Regular	\$317.83	\$319.50	\$320.43	\$320.43
Unemployed Parent	411.50	411.98	411.98	411.98
<u>Cost</u>				
Regular	\$30,709,997	\$32,477,814	\$35,717,691	\$38,059,394
Unemployed Parent	3,076,385	3,707,820	3,955,008	4,202,196
<u>Funding</u>				
Federal Funds	\$22,261,847	\$24,309,509	\$27,338,457	\$29,971,919
County Funds	682,485	687,527	757,749	756,482
General Funds	10,842,050	11,188,598	11,576,493	11,533,189
Total Funds	<u>\$33,786,382</u>	<u>\$36,185,634</u>	<u>\$39,672,699</u>	<u>\$42,261,590</u>

ISSUE 1: AFDC PAYMENT LEVEL

The current level funding for AFDC holds the payment level at the same rate as fiscal 1987. Because the federal poverty index is expected to increase at the same rate as general inflation, for fiscal 1988 and 1989 the AFDC payment level will actually decrease as a percent of the poverty index. The following table shows average monthly payment as a percent of the federal poverty index. Calculation of the federal poverty index is based on annual inflation rates of 2.8, 4.2, and 5.5 percent from fiscal 1986 through fiscal 1989.

Table 14
AFDC Average Monthly Payment for FY 1986, 1987, and the Current Level
1989 Biennium as a Percent of the Federal Poverty Index

	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Average Payment	\$317.83	\$319.50	\$320.43	\$320.43
Federal Poverty Index	671.38	690.18	719.16	458.72
% of Poverty Index	47.34	46.29	44.56	42.23

Table 14 shows that by freezing the AFDC payment at the fiscal 1986 level, by fiscal 1989 the AFDC payment has dropped from 47 percent of the poverty index to approximately 42 percent. For the 1989 biennium, the legislature could reestablish the AFDC payment level as a percent of the federal poverty index. Table 15 shows the average AFDC payment when set at various percentages the federal poverty index.

Table 15
Comparison of Average Monthly Payments at Various Percentages
of The Federal Poverty Index

<u>Percent of Poverty Index</u>	<u>Actual FY 1986</u>	<u>FY 1988</u>	<u>FY 1989</u>	<u>% Increase FY 1986-89</u>
47	\$317.83	\$340.07	\$358.77	12.88
46	317.83	332.83	351.14	10.48
45	317.83	325.60	343.51	8.08
43	317.83	311.13	328.24	3.28
41	317.83	296.66	312.97	(1.53)

The legislature could establish the AFDC payment level as a function of the projected federal poverty index.

- Option A: Set the average monthly payment at 47 percent of the poverty index. This option would require an additional \$2,086,719 of general fund for the 1989 biennium.
- Option B: Set the average monthly payment at 46 percent of the poverty index. This option would require an additional \$1,550,626 of general fund for the 1989 biennium.
- Option C: Set the average monthly payment at 45 percent of the poverty index. This option would require an additional \$1,014,532 of general fund for the 1989 biennium.
- Option D: Set the average monthly payment at 43 percent of the poverty index. This option would save \$57,655 of general fund for the 1989 biennium.

Option E: Set the average monthly payment at 41 percent of the poverty index. This option would save \$1,129,843 of general fund for the 1989 biennium.

ISSUE 2: AFDC FUNDING LIMITS

As noted before, current administrative rules provide the director of SRS with the authority to adjust the AFDC payment levels if funds are not available to meet the benefit levels anticipated by the legislature. During fiscal 1984, the director did implement this option and froze the fiscal 1985 payment level at the level established for fiscal 1984. The legislature could set the AFDC payment level at a percent of the projected poverty index using the most current estimates of caseload growth and inflationary trends. If the caseload or the poverty index growth were such that the AFDC appropriation was not adequate to fully fund the program, then the director of SRS would be required to adjust the payment level in accordance with existing administrative rules rather than seeking a supplemental appropriation. To ensure that any department adjustment to the payment level was warranted, the department could be required to provide the Legislative Finance Committee with a detailed analysis of the status of the AFDC program prior to any adjustment to the payment level.

COMMUNITY SERVICES DIVISION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	375.64	360.21	359.92	359.92	0.29
Personal Service	\$ 8,319,168	\$ 8,344,558	\$ 8,459,274	\$ 8,462,979	1.6
Operating Expense	1,117,980	922,418	1,045,969	1,045,212	2.5
Equipment	23,059	3,000	6,245	6,245	(52.1)
Total Operating Costs	\$ 9,460,207	\$ 9,269,976	\$ 9,511,488	\$ 9,514,436	1.6
Non-Operating Costs	13,494,648	12,941,913	13,915,532	13,969,860	5.5
Total Expenditures	\$22,954,855	\$22,211,889	\$23,427,020	\$23,484,296	3.9
Fund Sources					
General Fund	\$13,715,347	\$12,913,351	\$14,100,624	\$14,101,530	5.9
Federal and Other Revenue	9,239,508	9,298,538	9,326,396	9,382,766	0.9
Total Funds	\$22,954,855	\$22,211,889	\$23,427,020	\$23,484,296	3.9
ISSUES:					
	Fiscal 1988		Fiscal 1989		
	General Fund	Other Funds	General Fund	Other Funds	
1. Big Brothers & Sisters					
Option A:	\$ (50,000)	\$ 50,000	\$ (50,000)	\$ 50,000	
Option B:	(124,000)	124,000	(124,000)	124,000	
Option C:	(150,000)	150,000	(150,000)	150,000	

The Community Services Division provides a variety of social services to children, adults, and senior citizens to ensure their health, welfare, and safety. Services to children include foster care, protective day care, Big Brothers and Sisters, adoption referral and counseling, and coordination of youth court and school programs to reduce instances of delinquency. Services to adults include spouse abuse counseling, services to unmarried parents, health and nutrition programs, and work incentive programs. Services to senior citizens include congregate meals, transportation, funding for senior centers, homemaker services, and legal advocacy. The community services division is also responsible for administration of the state's supplemental security income payments to eligible recipients.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 16
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	376.64	375.60	(1.04)
Personal Service	\$ 8,371,188	\$ 8,319,165	\$ 52,023
Operating Expense	892,365	1,028,722	(136,357)
Equipment	15,500	23,059	(7,559)
Total Operating Costs	\$ 9,279,053	\$ 9,370,946	\$ (91,893)
Grants/Benefits	12,860,482	12,648,512	211,970
Total Expenditures	<u>\$22,139,535</u>	<u>\$22,019,458</u>	<u>\$ 120,077</u>
<u>Funding</u>			
General Fund	\$13,014,794	\$13,243,426	\$(228,632)
Federal Revenue	9,124,741	8,776,032	348,709
Total Funds	<u>\$22,139,535</u>	<u>\$22,019,458</u>	<u>\$ 120,077</u>
<u>Additions</u>			
Budget Amendments	\$ -0-	\$ 35,147	\$ (35,147)
Supplemental-Foster Care	609,703	609,703	-0-
HB 935 - Alcohol & Drug	225,000	201,286	23,714
HB 203 - Day Care Training	86,008	42,999	43,009
Total Funds	<u>\$23,060,246</u>	<u>\$22,908,593</u>	<u>\$ 151,653</u>

The reduction of 1.04 FTE results from transferring a 0.21 staff development specialist from the Community Services Division to the Assistance Payments Program to coordinate training, and the transfer of 0.83 FTE program officer II position to the Vocational Rehabilitation Program to work with a new Special Disabled Population Program.

The overexpenditure of operating expenses is primarily attributable to the transfer of \$190,000 of training funds to the operating budget from the benefits portion of the budget. These funds had been authorized by the legislature to be used in conjunction with a contract with the University of Montana to provide training for social work staff. However, SRS decided to provide the training in-house and not contract with the university.

Overexpenditure of equipment resulted from the purchase of computer equipment that was not considered by the legislature.

Table 17 presents a comparison of the legislatively authorized benefit levels and the actual expenditures during fiscal 1986.

Table 17
Comparison of Legislative Anticipated Expenditures for
Fiscal 1986 and Actual Expenditures

Program	Legislation	Actual	Difference
Special Adoption	\$ -0-	\$ 15,820	\$ (15,820)
West Yellowstone	7,150	7,150	-0-
Home Health Care	30,047	30,035	12
Legal Services	50,000	50,000	-0-
Child Abuse	70,306	98,395	(28,089)
Domestic Violence	131,871	131,404	467
Subsidized Adoption	161,245	147,955	13,290
Big Brothers	217,307	217,301	6
Refugee	250,000	180,941	69,059
Training	259,047	-0-	259,047
Day Care	430,271	390,102	40,169
SSI	901,748	819,500	82,248
Aging	4,459,034	4,142,581	316,453
Foster Care	5,892,456	6,417,328	(524,872)
Total Benefits	<u>\$12,860,482</u>	<u>\$12,648,512</u>	<u>\$ 211,970</u>
Funding			
General Fund	\$ 5,872,404	\$ 6,173,810	\$(301,406)
Federal Revenue	6,988,078	6,474,702	513,376
Total Funds	<u>\$12,860,482</u>	<u>\$12,648,512</u>	<u>\$ 211,970</u>
Additions			
Budget Amendments	\$ -0-	\$ 35,147	\$ (35,147)
Supp-Foster Care	609,703	609,703	-0-
HB 935 - Alcohol & Drugs	225,000	201,286	23,714
Total Benefits	<u>\$13,695,185</u>	<u>\$13,494,648</u>	<u>\$ 200,537</u>

Although there is large variation among programs, the overall difference between the total amount of benefits anticipated by the legislature and the actual fiscal 1986 expenditures is less than 1 percent. The major overexpenditure was for foster care. The department received a \$609,703 supplemental for foster care during Special Session III. Table 17 also shows a \$301,406 overexpenditure of general fund. The overexpenditure of general fund was made possible by the transfer of excess general fund spending authority from the administrative and support programs.

Two budget amendments were approved during fiscal 1986. One budget amendment for \$99,438 was approved for the aging program to publish and distribute information on aging services. Only \$33,164 of these funds were actually expended. A second budget amendment was approved for \$10,400 for the establishment of the Children's Trust Fund Board. However, only \$1,983 of these funds were expended.

Current Level Adjustments

Personal services were reduced to reflect the reduction of 0.29 FTE transferred from the community service program to other programs in the department.

Only minor adjustments were made to operating costs amounting to less than 1 percent of the fiscal 1986 actual expenditure. The \$6,000 per year included for equipment is primarily office furniture.

Specific differences between the legislative anticipated expenditures and actual expenditures as well as adjustments made to the current level benefits are discussed below. Table 18 compares the fiscal 1986 actual expenditures and the current level funding for the 1989 biennium.

Table 18
Comparison of Fiscal 1986 Actual Expenditures and
Current Level Benefits for 1989 Biennium

<u>Program</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
West Yellowstone	\$ 7,150	\$ 7,149	\$ 7,149
Specialized Adoption	15,820	-0-	-0-
Home Health Care	30,035	15,047	15,047
Legal Services	50,000	-0-	-0-
Child Abuse	98,395	81,617	81,617
Domestic Violence	131,404	100,000	100,000
Subsidized Adoption	147,955	146,658	145,712
Refugee	180,941	180,941	180,941
Big Brothers	217,301	203,400	203,400
Alcohol and Drugs	201,286	205,000	205,000
Day Care	390,102	389,983	389,983
SSI	819,500	819,500	819,500
Aging	4,177,728	4,283,427	4,278,427
Foster Care	7,027,031	7,482,810	7,543,084
Total	<u>\$13,494,648</u>	<u>\$13,915,532</u>	<u>\$13,969,860</u>

Home Health and West Yellowstone

These two programs are grants awarded by the agency to fund basic social services in areas where there are no departmental staff. The Home Health Program provides services to Lewis and Clark County and the West Yellowstone Program supports services in the West Yellowstone area. The funding ratio for the West Yellowstone program is 75 percent general fund and 25 percent local match. Both grants were fully expended in fiscal 1986. During Special Session III, SRS proposed reducing the Home Health contract with Lewis and Clark County and providing these services with existing SRS staff for a savings of \$15,000. However, Lewis and Clark County requested that they continue to provide the services and stated they were willing to accept a \$15,000 reduction in the state contract for fiscal 1987, which they would replace with local funds. The legislature retained the contract with Lewis and Clark County but reduced the level of fiscal 1987 funding by \$15,000, which is 100 percent general fund. The current level funding for Home Health and the West

Yellowstone programs freezes the contracts at the fiscal 1987 level established during Special Session III.

Specialized Adoption

This program was a one-time federal grant to: 1) train workers in locating families willing to accept handicapped children for adoption; 2) assist the family in adjusting to the handicapped child; and 3) if necessary, provide funds for minor home renovation to accomodate the handicapped child. The total grant award was \$55,632 of which \$15,820 was expended during fiscal 1986 and the balance projected to be spent in fiscal 1987. No funds are included for this program in current level.

Legal Services

Legal services were provided to AFDC and SSI recipients through a contract with Montana Legal Services Association. During Special Session III, the legislature eliminated these services for fiscal 1987. The current level funding for the 1989 biennium does not include any funds for this program.

Child Abuse

This 100 percent federally funded program is primarily focused towards public education of the physical and sexual abuse of children. Services are provided by local agencies with grants from SRS. The agency also maintains a hotline telephone service with access to national experts for consultation on particularly difficult cases of abuse. The current level incorporates the department's request of \$81,617 for each year of the biennium.

Domestic Violence

This program provides protection and counseling services to abused spouses. Services are provided through contracts with private providers for safe homes, a 24 hour crisis line, and public awareness and education programs. Funding for the program is 100 percent general fund. A \$14 fee is collected from the marriage license and deposited in the general fund to offset the cost of the program. However, as may be seen from Table 19 the cost of the program has exceeded the fees collected each year since fiscal 1984.

Table 19
Comparison of Revenue Collected from Marriage License Fees
And Expenditures for Domestic Violence

	FY 1983	FY 1984	FY 1985	FY 1986
Revenue Collected	\$113,098	\$114,853	\$106,111	\$ 99,626
Expenditures	<u>74,253</u>	<u>121,922</u>	<u>130,862</u>	<u>131,404</u>
Difference	<u>\$ 38,845</u>	<u>\$ (7,069)</u>	<u>\$(24,751)</u>	<u>\$(31,778)</u>

Estimated revenue from marriage license fees for fiscal 1988 and 1989 is \$100,000 per year. Because the intent of the legislature was to fund this program through revenue generated from the marriage license fee, current level funding for the programs is \$100,000 each year of the 1989 biennium which is equal to the projected revenue from the marriage license fee.

Subsidized Adoption

Subsidized adoption is a program designed to assist families in adopting children with special needs such as physical or mental handicaps, or in adoption of sibling groups. The actual amount of the subsidy paid to the family varies according to the severity of the disability and the financial resources of the family. If the child is eligible for federal Title IV-E, funding of the program is shared at the same federal matching rate as medicaid. If the child is not IV-E eligible, the cost is 100 percent general fund. Under current department administrative rules, an eligible family may continue to receive the subsidy payment until the child is 18 years old. During fiscal 1986, the department instituted a policy that only IV-E eligible children would be accepted as new clients for the subsidized adoption program. Table 20 shows the fiscal 1985, 1986 and current level funding for the subsidized adoption program.

Table 20
Comparison of Fiscal 1985 and 1986 Subsidized Adoption Caseload,
Costs, and Current Level Funding

	Fiscal 1985			Fiscal 1986		
	Cases	Cost/Case	Cost	Cases	Cost/Cases	Cost
Non-IV-E	27	\$2,964	\$ 80,021	32	\$2,284	\$ 73,099
IV-E	30	2,135	64,054	38	1,969	74,821
Total	57	\$2,528	\$144,075	70	\$2,113	\$147,920

	Fiscal 1988			Fiscal 1989		
	Cases	Cost/Case	Cost	Cases	Cost/Cases	Cost
Non-IV-E	28	\$2,284	\$ 63,962	25	\$2,284	\$ 57,109
IV-E	42	1,969	82,697	45	1,969	88,604
Total	70	\$2,095	\$146,659	70	\$2,083	\$145,713

Funding	Fiscal 1988	Fiscal 1989
General Fund	\$ 89,672	\$ 82,875
Federal Funds	56,986	62,837
Total	\$146,658	\$145,712

As may be seen from Table 20, the proportion of non-IV-E eligible recipients declined from 47 percent in fiscal 1985 to 45 percent in fiscal 1986, presumably as a result of the department's policy of accepting only IV-E eligible recipients as new cases. Additionally, the cost per case for the non-IV-E eligible clients decreased from \$2,964 to \$2,284 during the same period. The current level funding retains the concept of only IV-E eligible recipients as new cases. Current level funding maintains the caseload at 70 cases per year of the 1989 biennium, but projects a continuing decline in the percent of non-IV-E clients to 40 percent in fiscal 1988 and 35 percent in fiscal 1989.

Big Brothers and Sisters

The Big Brothers and Sisters Program is a service for youth from single parent families. Adult volunteers are selected and matched with children to provide friendship, guidance, and appropriate role models. Historically, the state has paid approximately 25 percent of the total costs of the program and local Big Brothers and Sisters Programs have paid the balance. The current level funding for this program incorporates a 10 percent reduction in the fiscal 1987 appropriation that was made during Special Session III.

Refugee

Social services provided to Indo-Chinese refugees are 100 percent federally funded through the Department of Health and Human Services under the Refugee Resettlement Act. Services include support for refugee centers, assistance in locating employment, and public education programs. Refugee resettlement funds are also used to pay day care and foster care services for eligible clients. The level of refugee activity has declined significantly since fiscal 1983. The current level funding for this program is maintained at the fiscal 1986 actual expenditure level through the 1989 biennium.

Alcohol and Drug Treatment

Passed during the 1985 legislative session, House Bill 935 increased the beer tax by \$0.30 per barrel to fund residential alcohol and drug treatment programs for indigent youth. To be eligible for the program, the youth must meet AFDC income standards, be an adjudicated delinquent, be determined by a certified alcohol counsellor as in need of treatment, and be placed in a treatment program approved by the Department of Institutions.

Under the current contracts with alcohol treatment programs, SRS reimburses approved facilities \$110 per day up to a maximum of 40 days treatment. During fiscal 1986, 56 youth received treatment through the program at an average cost of \$3,586 or \$814 less than the maximum allowable charge.

Current level funding for the program is \$205,000 per year of the 1989 biennium, which is equal to the anticipated revenue generated by the \$0.30 additional tax on beer.

Day Care

Day care is provided as a protective service for abused or neglected children. Based on client eligibility, funding for protective day care may be divided into three categories: (1) AFDC related, which is funded through a mix of federal Title IV-A funds and general fund; (2) non-AFDC related, which is 100 percent general fund; and (3) refugee day care, which is 100 percent funded through the federal Office of Refugee Resettlement. Table 21 shows day care expenditures for fiscal 1984 through fiscal 1986 by category of client eligibility.

Table 21
Comparison of Fiscal 1984 through Fiscal 1986
Day Care Services and Costs

Fiscal 1984			
	<u>Days/Care</u>	<u>Cost/Day</u>	<u>Total Cost</u>
Non-AFDC	30,652	\$7.03	\$215,488
AFDC/CPS	21,495	7.03	151,109
Refugee	1,422	7.03	10,000
Total	<u>53,569</u>	<u>\$7.03</u>	<u>\$376,597</u>
Fiscal 1985			
	<u>Days/Care</u>	<u>Cost/Day</u>	<u>Total Cost</u>
Non-AFDC	29,926	\$8.02	\$240,029
AFDC/CPS	20,745	7.89	163,687
Refugee	983	7.61	7,479
Total	<u>51,654</u>	<u>\$7.96</u>	<u>\$411,195</u>
Fiscal 1986			
	<u>Days/Care</u>	<u>Cost/Day</u>	<u>Total Cost</u>
Non-AFDC	21,950	\$8.94	\$196,256
AFDC/CPS	19,956	9.06	180,892
Refugee	1,801	7.19	12,955
Total	<u>43,707</u>	<u>\$8.93</u>	<u>\$390,103</u>

Excluding refugee, the actual days of care provided have declined from 52,147 in fiscal 1984 to 41,906 in fiscal 1986 or 20 percent. However, cost per day of service has risen from an average of \$7.03 in fiscal 1984 to \$8.93 in fiscal 1986 for an increase of 27 percent over the two-year time period. Thus, there has been a 4 percent increase in overall day care costs since 1984 despite the fact that the number of services has actually declined by 20 percent. Additionally, the day care appropriation approved by the 49th legislature for the 1987 biennium was based on holding the total days of care constant at the fiscal 1984 level but providing for a \$.50 increase in the rate per day. In fact, as may be seen from Table 2, the days of care actually declined yet the rate per day significantly exceeded the level authorized.

The current level funding of day care services for the 1989 biennium is based on maintaining the fiscal 1986 days of care through the 1989 biennium and providing no increase in the rate per day. Table 22 presents the actual fiscal 1986 expenditures and the 1989 biennium current level.

Table 22
Fiscal 1986 and Current Level Day Care Services and Funding

----- Fiscal 1988 -----				
	Days/Care	Federal Funds	General Funds	Total
Non-AFDC	21,950	\$ -0-	\$196,233	\$196,233
AFDC	19,956	124,590	56,211	180,801
Refugee	1,801	12,949	-0-	12,949
Total	<u>43,707</u>	<u>\$137,539</u>	<u>\$252,444</u>	<u>\$389,983</u>
----- Fiscal 1989 -----				
	Days/Care	Federal Funds	General Funds	Total
Non-AFDC	21,950	\$ -0-	\$196,233	\$196,233
AFDC	19,956	128,224	52,577	180,801
Refugee	1,801	12,949	-0-	12,949
Total	<u>43,707</u>	<u>\$141,173</u>	<u>\$248,810</u>	<u>\$389,983</u>

Supplemental Security Income

Although administered by the federal social security office, state funds supplement federal social security income payments to aged, blind, or disabled individuals. The primary purpose of the supplement is to assist low income individuals in remaining in community based residence rather than long term institutional care. The amount of supplemental payment is determined according to the type of residence of the recipient. The overall cost of the program is, therefore, determined by the number and mix of recipients by category of residence. Table 23 shows a manual count of the caseload in April, 1986 by category of placement.

Table 23
Supplemental Security Income Costs and Caseload by
Category of Recipient, April 1986

Category	Recipients	Payment	Total Cost
Residential Care	90	\$94.00	\$ 8,460
Group Home Mental Ill	43	94.00	4,042
Group Home Dev. Dis.	534	94.00	50,196
Semi-Ind. Living Dev. Dis.	143	26.00	3,718
Child/Adult Foster Care	59	52.75	3,112
Total	<u>869</u>		<u>\$69,528</u>

As may be seen from Table 23, the largest expenditures are for the developmentally disabled group homes, which account for 72 percent of the total expenditures. Because the payment level by category is constant, any changes in the total cost of the program will result from increases (decreases) in the overall caseload or shifts in the mix of the caseload. Because there is no significant growth anticipated for caseloads in any of the categories, the current level funding for the 1989 biennium is based on maintaining the fiscal 1986 level of caseloads through the 1989 biennium. Table 24 shows the total cost, average monthly caseload, and average cost per case for fiscal 1984 through fiscal 1986 and the current level funding for the Supplemental Security Income Program.

Table 24
Comparison of Caseloads and Cost for Supplemental Security
From Fiscal 1984 Through Fiscal 1986
And Current Level Funding

	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1988</u>	<u>FY 1989</u>
Total Cost	\$755,402	\$871,300	\$819,500	\$819,500	\$819,500
Avg. Monthly Cases	:811	:848	:883	:883	:883
Avg. Cost/Case	<u>== \$77.62</u>	<u>== \$85.62</u>	<u>== \$77.34</u>	<u>== \$77.34</u>	<u>== \$77.34</u>

Aging

Aging services are provided through contracts with eleven regional Area Agencies on Aging. Services include a variety of supportive social services intended to enable seniors to maximize their independence and remain in their homes. Included are legal advocacy, training of volunteers, congregate meals, home delivered meals, and statewide coordination of the aging program's network of services. Funding for the program is a combination of federal funds and general funds. Table 25 shows the fiscal 1984 through fiscal 1986 actual expenditures for aging services and the current level 1989 biennium funding.

Table 25
Aging Services
Fiscal 1984 through Fiscal 1986 and 1989 Biennium

Federal Funds	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1988	Fiscal 1989
Social Services III-B	\$1,249,054	\$1,141,222	\$1,328,720	\$1,196,065	\$1,196,065
Cong. Units III-C1	1,741,457	1,813,467	1,584,757	1,538,283	1,538,283
Home Del. Meals III-C2	370,897	392,575	229,665	311,119	311,119
Cash-in-lieu of Comm.	445,344	504,849	377,424	626,980	626,980
Title IV Training	31,517	38,927	24,439	30,000	30,000
Total Federal Funds	\$3,838,269	\$3,891,040	\$3,545,005	\$3,702,447	\$3,702,447
<u>General Fund</u>					
State Match	\$ 189,828	\$ 178,027	\$ 178,867	\$ 160,288	\$ 160,288
Information/Referral	126,685	135,808	126,065	126,065	126,065
In-Home Service	273,600	257,357	289,627	289,627	289,627
Legacy Legislature	5,000	5,000	5,000	5,000	
Total General Fund	\$ 595,113	\$ 576,192	\$ 599,559	\$ 580,980	\$ 575,980
Total Program Costs	\$4,433,382	\$4,467,232	\$4,144,564	\$4,283,427	\$4,278,427

As may be seen from Table 25, the level of federal funding by category of expenditure has fluctuated since fiscal 1984. For example, federal cash-in-lieu of commodities was \$445,344 in fiscal 1984, \$377,424 in fiscal 1986 and is anticipated to be \$626,980 in fiscal 1988 and 1989. However, federal social services funding is expected to decline from \$1,328,720 in fiscal 1986 to \$1,196,065 in the 1989 biennium. The level of federal funding is significant because there is a required 5 percent general fund match for social services III-B, congregate meals III-C1, and home delivered meals III-C2. However, for each year since fiscal 1984 the general fund match has exceeded the 5 percent required for the federal aging grant. As shown in Table 10, the current level funding for the aging program maintains the in-home services and information and referral services at the level expended in fiscal 1986, but reduces the general fund for the state match to the level required for a 5 percent match on federal III-B, III-C1, and III-C2 funds. As was the case during the 1987 biennium, state funding for the Legacy Legislature is provided for one year of the 1989 biennium.

Foster Care

Through contracts with local providers, the foster care program provides a continuum of alternative residential services for children. During fiscal 1986 foster care services were provided to 2,581 children at an overall average cost of \$2,882. The following table shows the growth in cost of the foster care program from fiscal 1984 through fiscal 1986 and the unduplicated number of children served.

Table 26
Total Days Service, Total Cost of Services, and Unduplicated
Count of Children Served
Fiscal 1984 through 1986

----- Days Service -----				
Service	Fiscal 1984	Fiscal 1985	Fiscal 1986	% Increase
Clothing/Supplement	N/A	N/A	N/A	
Shelter Care	15,066	15,452	19,195	27.4
Out-of-State Treatment	7,090	12,005	10,718	51.1
Group Homes	25,369	25,314	27,799	9.6
In-State Treatment	38,331	37,061	47,357	23.6
Foster Families	230,044	253,710	264,056	14.8
Total	<u>315,900</u>	<u>343,542</u>	<u>369,125</u>	<u>16.8</u>
----- Total Costs -----				
Clothing/Supplement	\$ 18,700	\$ 21,775	\$ 71,864	284.3
Shelter Care	358,689	375,850	471,900	31.6
Out-of-State Treatment	420,691	728,838	723,257	71.9
Group Homes	747,081	776,247	889,518	19.1
In-State Treatment	1,401,950	1,504,896	2,441,253	74.1
Foster Families	1,966,391	2,265,060	2,429,239	23.5
Total Costs	<u>\$4,913,502</u>	<u>\$5,672,666</u>	<u>\$7,027,031</u>	<u>43.1</u>
----- Children Served -----				
Children Served	<u>2,302</u>	<u>2,395</u>	<u>2,581</u>	<u>12.1</u>

As indicated in Table 26, annual expenditures for foster care have increased approximately \$2.1 million or 43 percent from fiscal 1984 to fiscal 1986. During fiscal 1986, foster care expenditures were \$7,027,031 or \$1,134,575 over the legislative appropriation of \$5,892,456. To cover the increased costs of foster care, the department transferred \$789,625 of spending authority from other programs in the department to the foster care program and requested a \$609,703 supplemental. The large transfer of funds within the department was possible because of a higher than anticipated level of federal reimbursement in the administration and support program that freed up general fund, and an underutilization of federal spending authority in other programs, most notably the aging program and training. Although expenditures increased 43 percent from fiscal 1984 to 1986, during the same period the actual number of children served grew only 12 percent. Table 27 shows the number of children served, the average daily cost, and the average cost per child for fiscal years 1984 through fiscal 1986.

Table 27
Average Number Children Served and Cost of Care by Service
Fiscal 1984 through 1986

	Children Served	Average Daily Cost	Average no. Days Care	Average Cost/Child
<u>Shelter Care</u>				
Fiscal 1984	585	\$23.81	26	\$619
Fiscal 1985	646	\$24.32	24	\$583
Fiscal 1986	674	\$24.58	28	\$688
Increase 1984-1986	<u>15.21%</u>	<u>3.24%</u>	<u>7.69%</u>	<u>11.2%</u>
<u>Group Homes</u>				
Fiscal 1984	203	\$29.45	125	\$3,681
Fiscal 1985	199	\$30.66	127	\$3,893
Fiscal 1986	265	\$32.00	105	\$3,360
Increase 1984-1986	<u>30.54%</u>	<u>8.66%</u>	<u>(16.00)%</u>	<u>(8.7%)</u>
<u>In-State Treatment</u>				
Fiscal 1984	182	\$36.57	211	\$7,716
Fiscal 1985	225	\$40.61	165	\$6,700
Fiscal 1986	224	\$51.55	211	\$10,877
Increase 1984-1986	<u>23.08%</u>	<u>40.96%</u>	<u>0.00%</u>	<u>41.0%</u>
<u>Out-of-State Treatment</u>				
Fiscal 1984	36	\$59.34	197	\$11,689
Fiscal 1985	56	\$60.71	214	\$12,991
Fiscal 1986	48	\$67.48	223	\$15,048
Increase 1984-1986	<u>33.33%</u>	<u>13.72%</u>	<u>13.20%</u>	<u>28.7%</u>
<u>Foster Families</u>				
Fiscal 1984	1,679	\$8.55	137	\$1,171
Fiscal 1985	1,727	\$8.93	147	\$1,312
Fiscal 1986	1,760	\$9.20	150	\$1,380
Increase 1984-1986	<u>4.82%</u>	<u>7.60%</u>	<u>9.49%</u>	<u>17.8%</u>

Table 27 indicates that the increase in total foster care costs are attributable to the increase in the average cost per child for intensive residential care services both in-state and out-of-state. In fact, for out-of-state placements, despite an actual decline in the number of children served from 56 in fiscal 1985 to 48 in in fiscal 1986, the cost per child increased \$2,057 as a result of increases in the length of stay and the daily cost of service. The less intensive (and less expensive) services did not experience a similar rate of growth. The average cost per child actually declined for group home care, while shelter care and foster family experienced only a moderate rate of growth.

Current level services and costs are presented in Table 28. Overall services increased 4.5 percent from fiscal 1986 to fiscal 1988 and 2 percent between fiscal 1988 and 1989. Because current group home slots are filled, current level does not include any expansion of group home care. Out-of-state treatment decreases by 5 children per year for each year of the biennium and in-state treatment is increased a corresponding amount. Moderate increases are included for shelter care and foster families. Similar to other benefit programs, reimbursement rates are frozen at the fiscal 1987 level.

Table 28
Current Level Funding and Services for Foster Care

	Children Served	% Increase 1986-88 & 1988-89	Average Daily Cost	Average No. Days Care	Average Cost/Child	Total Cost
<u>Shelter Care</u>						
Fiscal 1988	729	8.16%	\$26.55	28	\$ 743	\$ 541,939
Fiscal 1989	758	3.98	26.55	28	743	563,497
<u>Group Homes</u>						
Fiscal 1988	265	-0-	\$33.31	105	\$ 3,498	\$ 926,851
Fiscal 1989	265	-0-	33.31	105	3,498	926,851
<u>In-State Treatment</u>						
Fiscal 1988	236	5.36%	\$55.45	211	\$11,700	\$2,761,188
Fiscal 1989	241	2.12	55.45	211	11,700	2,819,688
<u>Out-of-State Treatment</u>						
Fiscal 1988	43	(10.42)%	\$65.45	223	\$14,595	\$ 627,600
Fiscal 1989	38	(11.63)	65.45	223	14,595	554,623
<u>Foster Families</u>						
Fiscal 1988	1,831	4.03%	\$10.29	150	\$ 1,543	\$2,826,148
Fiscal 1989	1,868	2.00	10.29	150	1,543	2,883,258
<u>Support Services</u>						
Fiscal 1988						\$ 152,181
Fiscal 1989						152,181
<u>Less Credits</u>						
Fiscal 1988						\$ (353,097)
Fiscal 1989						(356,427)
----- TOTALS -----						
Fiscal 1988	3,104	4.48%				\$7,482,810
Fiscal 1989	3,170	2.11				7,543,671

Funding for the foster care program is a mix of federal, state, and county funds that depend on the eligibility of the child for a particular type of program and whether the child is located in a county where the state has assumed responsibility for the welfare program. In addition to increases in the total cost of the foster care

program, the general fund portion of the total costs has also increased. Table 29 shows funding for the foster care program from fiscal 1984 through fiscal 1986.

Table 29
Comparison of Foster Care Funding
Fiscal 1984 through Fiscal 1986

Type of Fund	Fiscal 1984	Fiscal 1985	Fiscal 1986	% Increase 1984-1986
County Funds	\$ 657,832	\$ 862,796	\$1,155,602	75.67
Federal Funds	1,451,651	1,298,903	1,429,245	(1.54)
General Funds	2,804,019	3,510,968	4,442,184	58.42
Total Funds	<u>\$4,913,502</u>	<u>\$5,672,667</u>	<u>\$7,027,031</u>	<u>43.01</u>

Because the federal match rate increased from 61.82 percent in fiscal 1984 to 65.89 percent in fiscal 1986, the 1.5 percent decline in federal funds shown in Table 29 actually understates the federal funding decline in the foster care program.

Current level funding for foster care is based on actual expenditures during the first quarter of fiscal 1987 adjusted for changes in the federal matching rate. Table 30 shows the fiscal 1986 actual expenditures by funding source and the current level funding for the 1989 biennium.

Table 30
Current Level Funding for Foster Care Benefits

Type of Fund	Fiscal 1986	Fiscal 1988	Fiscal 1989
Federal Funds	\$1,429,245	\$1,587,285	\$1,636,145
County Funds	1,155,602	1,163,719	1,165,687
General Funds	4,442,184	4,731,806	4,741,252
Total Funds	<u>\$7,027,031</u>	<u>\$7,482,810</u>	<u>\$7,543,084</u>

ISSUE 1: BIG BROTHERS AND SISTERS

Under current grant procedures between SRS and local Big Brother and Sister Programs, the state matches local funds at a ratio of 25 percent local funds and 75 percent general fund. During fiscal 1986, the \$217,301 of state grant funds accounted for approximately 25 percent of the total statewide budget for Big Brothers and Sisters. The balance of the program's funds are generated through local fund raising efforts.

The primary function of the Big Brothers and Sisters Program is to provide appropriate role models, friendship and guidance to youth from single parent families. Testimony presented during Special Session III indicated that the vast majority of

children participating in the program were from divorced families. The state currently collects a \$25 fee for Dissolution of Marriage which is deposited in the general fund. The following table shows the revenue generated from the marriage dissolution fee from fiscal 1984 through fiscal 1986.

Table 31
General Fund Revenue From Fee for Dissolution of Marriage

	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>
Revenue	<u>\$104,754</u>	<u>\$124,007</u>	<u>\$124,269</u>

Option A: The legislature could increase the marriage dissolution fee by \$10, with the additional revenue generated earmarked for the Big Brothers and Sisters Program. Estimated additional revenue for each year of the 1989 biennium is approximately \$50,000. The additional earmarked revenue could be used to offset current general fund expenditures for the program for a total general fund savings of \$100,000 over the 1989 biennium.

Option B: The legislature could increase the marriage dissolution fee by \$25, with the additional revenue generated earmarked for the Big Brothers and Sisters Program. Estimated additional revenue for the 1989 biennium is approximately \$124,000 per year. The additional earmarked revenue could be used to offset current general fund expenditures for the program for a total general fund savings of \$248,000 over the 1989 biennium.

Option C: The legislature could raise the marriage dissolution fee by \$30, with the additional revenue earmarked for the Big Brothers and Sisters program. The additional revenue generated is estimated to be approximately \$150,000 per year, which is equivalent to the current level general fund expenditures for the program. The legislature could eliminate all general fund for the Big Brothers and Sisters Program and establish the 1989 biennium appropriation for that program as equal to the additional revenue generated from the increased fee for marriage dissolution. General fund savings for the 1989 biennium would be \$300,000 with no reduction in service level.

ELIGIBILITY DETERMINATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	365.99	369.61	363.25	363.25	(6.36)
Personal Service	\$7,106,152	\$7,373,793	\$7,626,729	\$7,624,283	5.3
Operating Expense	116,105	115,285	98,960	98,960	(14.5)
Total Expenditures	<u>\$7,222,257</u>	<u>\$7,489,078</u>	<u>\$7,725,689</u>	<u>\$7,723,243</u>	<u>5.0</u>
<u>Fund Sources</u>					
General Fund	\$1,978,507	\$2,058,974	\$2,167,692	\$2,168,303	7.4
Federal and Other Revenue	<u>5,243,750</u>	<u>5,430,104</u>	<u>5,557,997</u>	<u>5,554,940</u>	<u>4.1</u>
Total Funds	<u>\$7,222,257</u>	<u>\$7,489,078</u>	<u>\$7,725,689</u>	<u>\$7,723,243</u>	<u>5.0</u>
- - - - - Fiscal 1988 - - - - -					
- - - - - Fiscal 1989 - - - - -					
<u>ISSUES:</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>General Fund</u>	<u>Other Funds</u>	
1. Vacancy Savings					
Option A: 7 percent	\$(42,661)	\$(117,695)	\$(42,661)	\$(117,695)	
Option B: 6 percent	(21,331)	(58,829)	(21,331)	(58,829)	

The Eligibility Determination program includes funding for county welfare eligibility staff, clerical staff, and an allocated portion of the county welfare directors' salaries. The primary function of the program is to determine eligibility for food stamps, AFDC, medicaid, and general assistance recipients.

Funding for the program is a combination of federal funds, county funds, and general fund. Costs for the eligibility program in those counties where the state has assumed administration of the welfare program are paid with 56 percent general fund and 44 percent federal funds. In the nonassumed counties there are no general funds and the costs are split 56 percent county funds and 44 percent federal funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 32
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	356.11	365.99	(9.88)
Personal Service	\$7,124,878	\$6,920,474	\$ 204,404
Operating Expense	<u>113,165</u>	<u>116,099</u>	<u>(2,934)</u>
Total Expenditures	<u>\$7,238,043</u>	<u>\$7,036,573</u>	<u>\$ 201,470</u>
<u>Funding</u>			
General Fund	\$2,074,139	\$1,978,503	\$ 95,636
Federal Revenue	<u>5,163,904</u>	<u>5,058,070</u>	<u>105,834</u>
Total Funds	<u>\$7,238,043</u>	<u>\$7,036,573</u>	<u>\$ 201,470</u>
<u>Additions</u>			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 185,676</u>	<u>\$(185,676)</u>

The additional 9.88 FTE resulted from a budget amendment in which the department proposed to reclassify eligibility technician positions as eligibility investigators. Under a new federal program, this reclassification would increase the federal match from 44 percent to 72.5 percent federal funds. During the 1985 session the legislature authorized 17 new eligibility technician positions for fiscal 1986. However, 6 of those positions were to be phased in during the year at the rate of 2 each month so that the actual increase in FTE was only 14.5. By using the funds "saved" through converting the 14.5 eligibility technician positions to the enhanced federal match ratio, SRS was able to fund an additional 9.88 FTE. Again however, because these new 9.88 FTE are phased in during fiscal 1986, they actually represent 18.5 positions which become 18.5 new FTE during fiscal 1987. Of the additional 18.5 positions, 5 are in state assumed counties requiring general fund.

Despite additional FTE, this program experienced a large vacancy savings during fiscal 1986 and underspent the personal services budget by \$204,404. The overexpenditure in operating costs was minor with approximately 99 percent of the operating budget allocated to travel.

Current Level Adjustments

The major adjustment to current level was the reduction of 6.36 FTE. Of the reduced FTE, 1.20 were the result of position transfers with other programs in the agency. The remaining 5.16 FTE were vacant throughout fiscal 1986 and are not necessary for the program to meet their required vacancy savings.

An additional \$80,259 was reduced from current level personal services funding. These funds were associated with the budget amendment creating the new 9.88 eligibility investigators and should have been included as a modified request. With

the elimination of these additional funds, the current level vacancy savings for the program is 5 percent.

Current level operating expenses were reduced from the fiscal 1986 actual expenditure level by approximately \$17,000. The major portion of this reduction was in travel and relocation expenses.

ISSUE 1: VACANCY SAVINGS

Because a substantial amount of testimony was presented during the 1985 session regarding the need for more eligibility technicians, the legislature increased the FTE level for the eligibility program by 37.5 FTE for fiscal 1986. However, analysis of actual personal services expenditures for fiscal 1986 indicates that in addition to the 4 percent vacancy savings rate applied to all state programs, the eligibility program experienced 5 percent vacancy savings for a total vacancy savings rate of 9.1 percent during fiscal 1986. Two factors appear to be contributing to the high vacancy rate among eligibility technician employees. First, personnel records indicate a higher turnover rate among these positions than occurs in other programs in the department; and second, several positions were vacant throughout the entire fiscal year. The current level funding for the program eliminates 5.16 FTE that were vacant for the entire fiscal year. Even with the elimination of the excess positions, the program would have experienced a vacancy savings rate of approximately 7.7 percent.

Table 33
Vacancy Savings Rates and General Funds savings
For Fiscal 1988 Personal Services

	<u>General Fund</u>	<u>Other Funds</u>	<u>Vacancy Savings</u>
7 Percent Vacancy Savings	\$149,340	\$411,878	\$561,218
6 Percent Vacancy Savings	128,010	353,048	481,058
5 Percent Vacancy Savings*	106,679	294,219	400,898

*Current level is 5 percent in this program.

Option A: Take 7 percent vacancy savings for a general fund savings of \$42,661 each year of the biennium and an other fund savings of \$117,659 each year.

Option B: Take 6 percent vacancy savings for a general fund savings of \$21,331 and an other fund savings of \$58,829 each year.

Option C: Take no specific action and allow the program the 5 percent vacancy savings included in the current level funding.

ADMINISTRATION AND SUPPORT

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	84.68	83.50	79.70	79.70	(3.8)
Personal Service	\$2,112,724	\$2,077,859	\$2,078,360	\$2,077,665	(0.8)
Operating Expense	854,971	815,720	937,882	827,611	5.7
Equipment	26,559	23,914	18,186	18,186	(27.9)
Total Expenditures	<u>\$2,994,254</u>	<u>\$2,917,493</u>	<u>\$3,034,428</u>	<u>\$2,923,462</u>	<u>0.8</u>
<u>Fund Sources</u>					
General Fund	\$1,330,045	\$1,553,776	\$1,347,862	\$1,298,579	(8.2)
Federal Revenue	1,664,209	1,363,717	1,686,566	1,624,883	9.4
Total Funds	<u>\$2,994,254</u>	<u>\$2,917,493</u>	<u>\$3,034,428</u>	<u>\$2,923,462</u>	<u>0.8</u>

The Administration and Support services program includes the director's office, fiscal bureau, legal office, and support staff for statistics and research, personnel management, and data processing. The program provides the agency's overall direction for policy development, budgeting and coordination of services. Support for the program is a combination of 46 percent federal funds including 35 federal funding sources allocated to the program according to a departmental cost allocation system, 10 percent county funds and the remainder, 44 percent, general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 34
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	83.5	84.68	(1.18)
Personal Service	\$2,111,694	\$2,112,723	\$ (1,029)
Operating Expense	865,232	854,955	10,277
Equipment	25,545	26,559	(1,014)
Total Expenditures	<u>\$3,002,471</u>	<u>\$2,994,237</u>	<u>\$ 8,234</u>
Funding			
General Fund	\$1,621,101	\$1,330,035	\$ 291,066
Federal Revenue	1,381,370	1,664,202	(282,831)
Total Funds	<u>\$3,002,471</u>	<u>\$2,994,237</u>	<u>\$ 8,234</u>

The 1.18 FTE increase results from the combination of the transfer of 1.70 FTE from rehabilitation services to the administration and support program to serve as hearings officers, and the transfer of a 0.52 FTE position that had served as a "private sector coordinator" in the Administration Program to the Assistance Payments Program to work as a management analyst III.

Underexpenditures in the operating budget were primarily in the area of rent - \$30,419, and travel - \$11,916. Rent for this program was underexpended as a result of the department's space reorganization and a consequent reduced allocation of the total rent costs to the Administration and Support program. By administration policy, travel was reduced in all programs within the department. Minor overexpenditure occurred in communication as a result of changes in the state telephone system and in repair and maintenance.

The Administration and Support Program received federal funds from 35 different federal funding sources. The amount actually received is dependent on a cost allocation formula that charges each funding source according to the time and resources devoted to that particular program. During fiscal 1986, the Administration and Support Program was able to charge various federal funding sources at a higher rate than had been anticipated during the 1985 legislative session. The 1985 legislature appropriated funding for Administration and Support at 46 percent federal funds. Actual expenditure during fiscal 1986 were 55.6 percent federal.

Current Level Adjustments

Adjustments made to the personal service portion of the current level budget include the reduction of 4.5 FTE the department decided to eliminate in conjunction with the executive's reduction-in-force implemented during Special Session III. These positions include an accounting technician, research and analysis manager, administrative officer, a half-time lawyer, and a secretary. Additionally, a 0.48 FTE management analyst is transferred to the Assistance Payments Program.

Major adjustments to the operating portion of the budget include increases to contract services for audit fees (\$63,721), payroll fees (\$11,789), and insurance and bonds (\$20,517). Other adjustments to the operating budget totaled less than 1 percent. Equipment included replacement purchase of two cars each year of the biennium and minor office equipment. Operating expenses fall in fiscal 1989 as \$115,200 budgeted for audit by the Legislative Auditor is all shown in fiscal 1988.

COUNTY ASSUMPTION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expense	\$1,252,678	\$1,314,200	\$1,121,692	\$1,108,990	(12.2)
Equipment	94,157	-0-	14,586	14,586	(69.0)
Total Expenditures	<u>\$1,346,835</u>	<u>\$1,314,200</u>	<u>\$1,136,278</u>	<u>\$1,123,576</u>	<u>(14.6)</u>
Fund Sources					
General Fund	\$ 989,893	\$ 952,818	\$ 835,164	\$ 825,828	(25.2)
Federal and Other	356,942	361,382	301,114	297,748	14.1
Total Funds	<u>\$1,346,835</u>	<u>\$1,314,200</u>	<u>\$1,136,278</u>	<u>\$1,123,576</u>	<u>(14.6)</u>

House Bill 798, enacted by the 1983 legislature, allows county welfare boards to request state assumption of their welfare program. Assumption by the state transfers all powers, duties, personnel, and public assistance costs to the state. The County Assumption Program includes a portion of the operating and equipment costs associated with administration of the county welfare programs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 35
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	0.00	0.00	0.00
Operating Expense	\$1,281,444	\$1,252,678	\$ 28,766
Equipment	44,200	94,157	(49,957)
Total Expenditures	<u>\$1,325,644</u>	<u>\$1,346,835</u>	<u>\$(21,191)</u>
Funding			
General Fund	\$ 963,626	\$ 989,893	\$(26,267)
Federal Revenue	362,018	356,942	5,076
Total Funds	<u>\$1,325,644</u>	<u>\$1,346,835</u>	<u>\$(21,191)</u>

The overexpenditure of equipment funds was directly related to purchase of communications equipment in county welfare offices. The overexpenditure of total funds was possible through a transfer of funds to the County Assumption Program from the Administration and Support Program and from the Assistance Payments Program.

Although titled the County Assumption Program, this program contained only 9.9 percent of the total fiscal 1986 general fund costs associated with the state's administration of the 12 assumed county welfare programs. Personnel and benefit costs associated with the assumed county welfare programs are allocated to other divisions in the department. The following table shows, by program, the fiscal 1986 personnel and benefit general fund expenditures directly attributable to county assumption.

Table 36
Departmental Allocation of County Assumption
Costs During Fiscal 1986

Program	Personal Services	Operations	Benefits	Total
Assistance Payments	\$ -0-	\$ -0-	\$6,060,283	\$ 6,060,283
Community Services	611,172	83,816	1,156,003	1,850,991
Eligibility Determination	2,029,567	33,211	-0-	2,062,778
County Assumption	-0-	638,039	-0-	638,039
Medical Assistance	-0-	-0-	2,553,637	2,553,637
Administration & Support	-0-	327,284	-0-	327,284
Total Costs	<u>\$2,640,739</u>	<u>\$1,082,350</u>	<u>\$9,769,923</u>	<u>\$13,493,012</u>

The Assistance Payments Program has the largest share of the assumption cost, including the AFDC, emergency AFDC, and general assistance programs. Of the total expenditures, \$9.8 million or 73 percent are for benefits, \$2.6 million or 20 percent are for personal services, and the balance of \$1.1 million or 8 percent are for operating costs and equipment. Table 37 shows a breakdown of the expenditures by budget category for fiscal 1984 through fiscal 1986.

Table 37
General Fund Cost for State Assumption
Fiscal 1984 through Fiscal 1986

Budget Category	FY 1984	FY 1985	FY 1986	% Increase FY 84-86
Personal Services	\$ 2,529,243	\$ 2,527,899	\$ 2,640,739	4.4
Operating Expense	945,902	1,025,883	1,036,083	9.5
Equipment	109,132	33,732	46,267	(57.6)
Benefits				
General Assistance	2,122,008	4,389,151	4,586,620	116.1
Emergency AFDC	11,797	57,122	139,442	1082.0
State Medical	2,965,183	2,664,884	2,553,637	(13.9)
AFDC	1,176,041	1,166,043	1,334,221	13.5
Foster Care	794,228	899,624	1,156,003	45.6
Total	<u>\$10,653,534</u>	<u>\$12,764,338</u>	<u>\$13,493,012</u>	<u>26.7</u>

As shown in Table 37, increases in the Foster Care and General Assistance Programs account for the major portion of the 26.7 percent increase in the costs of county assumption between fiscal 1984 and 1986. The Emergency AFDC Program is designed to provide short-term temporary assistance to families who would normally be eligible for regular AFDC, but due to an emergency situation cannot wait the normal one to two months to qualify for assistance. The significant increase in the Emergency AFDC Program is attributable to shifting payments that had previously been made under the General Assistance Program at 100 percent general fund to the emergency AFDC program which is 50 percent federal funds. Thus, although there appears to be a large increase in the costs for the emergency AFDC, this increase is offset by savings in the General Assistance Program.

Current Level Adjustments

Operating costs for the County Assumption Program are reduced by approximately \$130,000 over the current level expenditure. The major reduction is in contract services, which were reduced by \$203,877. During the 1987 biennium, the department had contracted with 5 state assumed counties to operate the general assistance workfare program. Because this function is now administered by the department of labor under a separate contract with SRS, these funds were removed from current level. The reduction in contract services was partially offset by increases of \$11,262 in postage and mailing related to welfare caseload increases, a \$10,036 increase for moving the telephone system in the Missoula welfare office during fiscal 1988, and \$47,309 for increased rent for welfare offices in state assumed counties. Funding for the program is a mix of federal funds including LIEAP, food stamps, refugee, medicaid, and IV-E foster care funds, and general fund. Since no major changes are included in current level that would impact the funding ratio for the program, current level funding is set at the same ratio of federal and state funds as occurred during fiscal 1986: 73.5 percent general fund and 26.5 federal funds.

MEDICAL ASSISTANCE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	31.85	29.99	31.99	31.99	2.00
Personal Service	\$ 762,670	\$ 788,231	\$ 893,174	\$ 893,074	15.2
Operating Expense	3,205,114	2,066,769	1,954,027	1,952,351	(25.9)
Equipment	9,318	230	5,052	1,700	(29.3)
Total Operating Costs	\$ 3,977,102	\$ 2,855,230	\$ 2,852,253	\$ 2,847,125	(16.6)
Non-Operating Costs	111,557,117	116,141,421	134,058,194	138,607,316	19.7
Total Expenditures	\$115,534,219	\$118,996,651	\$136,910,447	\$141,454,441	18.7
<u>Fund Sources</u>					
General Fund	\$ 33,335,465	\$ 33,794,909	\$ 38,635,604	\$ 37,317,284	13.3
State Special	7,111,346	7,393,221	6,540,607	6,606,013	(9.8)
Federal Revenue	75,087,408	77,808,521	91,734,236	97,531,144	23.7
Total Funds	\$115,534,219	\$118,996,651	\$136,910,447	\$141,454,441	18.7
- - - - - Fiscal 1988 - - - - -					
- - - - - Fiscal 1989 - - - - -					
ISSUES:	General Fund	Other Funds	General Fund	Other Funds	
1. Medicaid Database	N/A	N/A	N/A	N/A	
2. Medicaid Appropriation Limit	N/A	N/A	N/A	N/A	

The Medical Assistance Program administers a variety of programs designed to meet the medical needs of the state's low income population. Included among these programs is the state's participation in medicaid, which is a joint federal/state funded program to reimburse nursing homes, hospitals, physicians, and other medical service providers for the care and treatment of individuals who qualify for Aid to Families With Dependent Children (AFDC); the aged, blind or disabled; or the medically needy. During the 1987 biennium, home and community based services were significantly expanded under a medicaid waiver program to provide the elderly with an alternative to nursing home care. The State Medical Program, which is designed to provide medical services to indigent persons who do not qualify for medicaid, is also administered through the Medical Assistance Program. Two federal "pass through" grants are administered by the program: funds to conduct reviews of nursing home compliance with federal regulations are passed through to the Department of Health and Environmental Science, and federal funds for various health services on Indian reservations are passed through SRS to the reservations.

Table 38
Medical Assistance
Comparison of Legislative Anticipated Expenditures
for Fiscal 1986 and Actual Expenditures

Budget Item	Legislation	Actual	Difference
F.T.E.	29.99	31.85	(1.86)
Personal Services	\$ 788,883	\$ 762,670	\$ 26,213
Operating Expenses	3,273,165	3,205,114	68,051
Equipment	3,163	9,318	(6,155)
Total Operating Cost	\$ 4,065,211	\$ 3,977,102	\$ 88,109
Grants/Benefits	113,070,096	111,557,117	1,512,979
Total Costs	<u>\$117,135,307</u>	<u>\$115,534,219</u>	<u>\$1,601,088</u>
Funding			
General Fund	\$ 34,178,794	\$ 33,335,465	\$ 843,329
State Special	6,527,941	7,111,346	(583,405)
Federal Revenue	76,428,572	75,087,408	1,341,164
Total Funds	<u>\$117,135,307</u>	<u>\$115,534,219</u>	<u>\$1,601,088</u>

The additional 1.86 FTE are all transferred from the Assistance Payments Program as a result of an administrative reorganization. Of the total, 1.34 FTE are administrative positions working with the medicaid program but located in the Assistance Payments Program. A vacant 0.52 FTE was transferred to work on the Medicaid Management Information System. Personal service costs associated with the transferred FTE were also transferred from the Assistance Payments Program to medical assistance. As a result of some positions not being filled during the year, this program experienced approximately an 8 percent vacancy savings.

Underexpenditure of operating costs was primarily in contracted services related to computer systems development. During the 1987 biennium, in addition to the \$838,851 appropriated for routine computer operations and system development, \$1,200,000 was appropriated for improvement of the computerization of the Medicaid Management Information System (MMIS). The additional \$1.2 million were 90 percent federal funds with a 10 percent general fund match. The full \$1.2 million was expended, which may have offset the need to use some of the other funds budgeted for computer enhancement. Underexpenditure of operating costs was 2 percent of the legislative authorization. Including expenditures for grants and benefits, total underexpenditure for the Medical Assistance Program was 1.4 percent of the legislative authorization.

Table 39 presents a comparison of the fiscal 1986 legislative authorization for benefits and the actual expenditures as documented in the state's budgeting and accounting system (SBAS) as of June 30, 1986.

Table 39
Medical Assistance Benefits
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Service</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
Dept. Health Survey	\$ 133,456	\$ 97,457	\$ 35,999
Medicaid Waiver	1,424,503	1,277,415	147,088
Medicare Buy-in	1,499,040	1,490,716	8,324
Indian Health	1,577,486	1,250,000	327,486
State Medical	2,894,772	2,556,945	337,827
Medicaid Institutions	12,507,551	11,380,193	1,127,358
Medicaid Nursing Home	43,231,858	41,416,302	1,815,556
Medicaid Primary Care	49,801,430	52,088,089	(2,286,659)
Total	<u>\$113,070,096</u>	<u>\$111,557,117</u>	<u>\$ 1,512,979</u>
Funding			
General Fund	\$ 33,093,613	\$ 32,259,147	\$ 834,466
County Fund	6,527,941	7,111,346	(583,405)
Federal Fund	<u>73,448,542</u>	<u>72,186,624</u>	<u>1,261,918</u>
Total Funds	<u>\$113,070,096</u>	<u>\$111,557,117</u>	<u>\$ 1,512,979</u>

As shown in Table 39, with the exception of medicaid-primary care, all benefit programs were significantly underexpended during fiscal 1986. Total expenditures for benefits were underexpended by \$1,512,979 or 1.3 percent of the legislative authorization for fiscal 1986. However, because payments for medicaid services can lag up to two years after the service has been provided, medicaid expenditures recorded in SBAS for fiscal 1986 are only projections of what the eventual costs of the program will be. As discussed on page 11 in more detail, updated projections for primary care expenditures during fiscal 1986 indicate actual expenditures for the program will be \$54,854,837 or \$2,766,748 higher than recorded in SBAS at fiscal 1986 year end which would bring the total overexpenditure of primary care to \$5,053,407 above the legislative appropriation.

Current Level Adjustments

Personal services were increased a total of 2.0 FTE for the 1989 biennium, including the 1.86 FTE transferred to the program during fiscal 1986; 1.14 FTE are added to fully fund two administrative officer positions; and 0.5 FTE long-term care specialist positions that had been vacant since fiscal 1985 are eliminated. Commensurate reductions in personal services cost were made to the current level personal services budget in the Assistance Payments Program for the positions transferred from that program.

Contracted services were reduced \$1,259,881 from the fiscal 1986 expenditure level primarily as a result of the reduction of the one-time 1987 biennium federally funded expenditures for computer program enhancement. Despite the reduction of the federal funds, contracted services for the 1987 biennium are \$1.9 million per fiscal

year. The major cost for contracted services is the contract the department has with Consultec to administer the medicaid reimbursement system. Funding for this contract is set at \$973,200 per year. Approximately \$580,000 per year is included for various contracts to provide audits of medicaid programs, preadmission screening, reviews of appropriateness of nursing home placements, legal and medical consultants to the department regarding policy changes, and fair hearings litigation.

Minor adjustments to other portions of the operating budget amounted to a less than 1 percent change over the fiscal 1986 expenditure level.

The following table compares the fiscal 1986 actual expenditures for benefits and the current level funding of benefits for the 1989 biennium.

Table 40
Current Level Funding for Medical Assistance Benefits For the 1989 Biennium

Budget Item	Fiscal 1986	Fiscal 1988	Fiscal 1989
Dept. Health Survey	\$ 97,457	\$ 133,744	\$ 133,744
Medicaid Waiver	1,277,415	1,773,460	1,773,460
Medicare Buy-in	1,490,716	1,882,511	1,942,585
Indian Health	1,250,000	1,577,486	1,577,486
State Medical	2,556,945	3,026,214	3,026,214
Medicaid Institutions	11,380,193	13,830,235	14,357,421
Medicaid Nursing Home	41,416,302	45,062,653	45,062,653
Medicaid Primary Care	52,088,089	66,771,891	70,733,753
Total	<u>\$111,557,117</u>	<u>\$134,058,194</u>	<u>\$138,607,316</u>
Funding			
General Fund	\$ 32,259,147	\$ 90,301,549	\$ 96,101,033
County Fund	7,111,346	6,540,607	6,606,013
Federal Fund	72,186,624	37,216,038	35,900,270
Total Funds	<u>\$111,557,117</u>	<u>\$134,058,194</u>	<u>\$138,607,316</u>

Overall expenditures for benefits increase \$27.1 million from fiscal 1986 to fiscal 1989 or 24.3 percent over the fiscal 1986 expenditure level. The most significant increase occurs in the medicaid-primary care and medicaid nursing home programs. However, because of a change in the federal funding ratio, a large portion of the increase in service cost is absorbed by the increase in federal financial participation. Although this federal "windfall" is available during the 1989 biennium, if Montana's economic situation improves the federal matching ratio will be reduced and the general fund will absorb the increased service level.

Department of Health Surveys

The Department of Health and Environmental Sciences inspects all nursing homes receiving medicaid reimbursement to ensure compliance with federal medicaid regulations. As the State Administering Agency for medicaid, funding for the surveys

is awarded to SRS, which then passes these funds through to the department of health. Funds "passed through" by SRS are 100 percent federal funds. However, the department of health must match these funds with general fund equal to \$41,581 in fiscal 1988 and \$38,853 in fiscal 1989.

Medicaid Waiver

As an alternative to nursing home care, medicaid regulations allow reimbursement for a variety of home and community based services. To be eligible for home and community based services, the individual must be certified as requiring the same level of care as would be provided in a nursing home. Services provided under the waiver include case management, homemaker services, respite care, personal care attendant services, adult day care, medical alert, and transportation services. Although first authorized by the legislature during the 1985 biennium, the program did not really become established until fiscal 1986. The following table shows the growth of the waiver services from fiscal 1984 through fiscal 1986.

Table 41
Waiver Services Growth

Waiver	Fiscal 1984	Fiscal 1985	Fiscal 1986	% Increase Fiscal 1984-86
Cost Per Case	\$ 4,212	\$ 4,625	\$ 3,801	(9.8)
Cases	60	205	336	460.0
Total Cost	<u>\$252,694</u>	<u>\$948,077</u>	<u>\$1,277,415</u>	<u>405.5</u>

The waiver services caseload increased by 131 cases or 64 percent between fiscal 1985 and fiscal 1986 and costs increased \$329,338 or 34 percent during the same period. The cost per case declined from \$4,625 to \$3,801, a 18 percent decrease.

Eight "case management teams" under contract with SRS provide the home and community based services. Funding for the contracts is broken down into four primary categories: 1) case management, including initial evaluation of the case and development of a treatment plan; 2) subcontract services such as home health, physical therapy, and homemaker services; 3) incentive payments, which are equal to a maximum of 40 percent of the difference between half of the cost of nursing home care and the cost of subcontracted waiver services; and 4) start-up costs, which are 100 percent general funds paid to the case management team as a subsidy until the team has a large enough caseload to support itself. The following table shows the funding of the waiver program for fiscal years 1984 through 1986 by category of funding and as a percentage of the cost per case.

Table 42
Waiver Program by Category of Funding

Program Costs	FY 1984	FY 1985	FY 1986	Fiscal 1986 Cost/Case	Fiscal 1986 % of Cost/Case
Case Management	\$ 16,281	\$150,088	\$ 199,987	\$ 595	15.6
Other Services	35,865	510,669	896,679	2,669	70.2
Incentives	20,582	121,410	128,875	384	10.1
Start up	179,966	165,903	51,874	154	4.1
Total	<u>\$252,694</u>	<u>\$948,070</u>	<u>\$1,277,415</u>	<u>\$3,802</u>	<u>100.0</u>

Although Table 42 shows a sharp decline in the amount of funds expended for start-up costs and incentive payments, during fiscal 1986 approximately 15 percent of the total waiver funds were expended as subsidies for the case management teams and not for direct services.

Because the state has specifically requested a waiver of "statewideness" and does not have to provide home and community based services to all individuals who might be eligible, the program is not comparable to other medicaid programs in the sense of "entitlement" and the state can restrict the growth of these services. Therefore, current level funding for the program does not include any funds for increased caseload and funding for the program during the 1989 biennium is based on the fiscal 1987 appropriation as adjusted during Special Session III, which is a 38.8 percent increase over fiscal 1986 actual expenditures.

Medicare Buy-in

The federal medicare program actually consists of two separate, but complementary, programs: Hospital Insurance or Part A; and Supplemental Medical Insurance or Part B. Part A covers inpatient hospital and skilled nursing care and is available at no cost to all persons 65 years of age and over who receive a monthly social security cash benefit. Part B covers other medical costs incurred outside a hospital setting. However, there is a monthly premium charge for this coverage that must be paid either by the individual or by the state under a federal/state medicare "buy-in" agreement. The advantage to the state in participating in the buy-in agreement is that medical costs for medicaid clients who are also medicare eligible are then paid under the medicare program, which is 100 percent federally funded. For medicaid clients who are receiving a cash payment under SSI or AFDC the cost of the Part B premium is considered a medicaid vendor payment and paid at the same federal/state ratio as other medicaid costs. For medicaid clients who do not receive a cash payment, the cost of the Part B premium is 100 percent general fund. The amount of the Part B premium is established by the federal government and is estimated to be \$17.90 in fiscal 1988 and 1989. The following table shows the buy-in caseload, Part B premium, and funding for the buy-in program.

Table 43
Medicare Buy-in Funding 1989 Biennium

	ACTUAL			CURRENT LEVEL	
	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1988	Fiscal 1989
Caseload	6,554	7,177	7,595	9,080	9,370
Federal Premium	\$14.60	\$15.50	\$15.50	\$17.90	\$17.90
Actual Payment	\$15.18	\$16.12	\$16.36	\$17.28	\$17.28
General Funds	\$ 802,968	\$ 917,123	\$ 955,308	\$1,109,882	\$1,115,614
Federal Funds	390,658	470,872	535,408	772,628	826,971
Total	<u>\$1,193,626</u>	<u>\$1,387,995</u>	<u>\$1,490,716</u>	<u>\$1,882,510</u>	<u>\$1,942,585</u>

Analysis of data presented in Table 43 shows that the actual amount paid by the state for the medicare buy-in premium for fiscal 1984 through fiscal 1986 is somewhat higher than the premium established by the federal government. According to SRS staff, this variance is due to manual adjustments made to the buy-in caseload and payments during the year. In June, 1986 the department automated all adjustments for the buy-in program, which had the effect of increasing the caseload by 1,000 cases but reducing the payment to approximately 96 percent of the official premium. Analysis of the buy-in caseload for the first five months of fiscal 1987 does not indicate any trend that would suggest that the caseload would continue to experience future sharp increases. Current level funding for the buy-in program includes a 4 percent caseload growth between fiscal 1987 and the end of the 1989 biennium for the portion of the caseload receiving a cash payment and a 2 percent growth in the non-cash payment portion of the caseload. The projected payment level is set at 96 percent of the federal premium.

Indian Health

Because SRS is the state administering agency for the medicaid program, medicaid funds to support a variety of Indian health services on the seven Indian reservations in Montana are passed through the department. These funds are 100 percent federal funds and are passed through SRS to the Bureau of Indian Affairs. The department estimates that \$1,577,486 will be available each year of the 1989 biennium. These amounts have been included as current level.

State Medical

As part of the state's assumption of county welfare programs in fiscal 1984, SRS assumed responsibility for administration and funding of the county level medical program in the 12 state assumed counties. The following table shows the growth of the costs of the state medical program in the 12 state assumed counties from fiscal 1982 through fiscal 1986.

Table 44
Comparison of State Medical Expenditures
Fiscal 1983 through Fiscal 1986

Fiscal Year	County Administered	State Assumed	Total Costs	% State Assumed	% Increase St Assumed
1982	\$1,574,377	\$1,799,361	\$3,373,738	53.33	0.00
1983	1,815,398	2,524,512	4,339,910	58.17	40.30
1984	1,757,280	2,731,042	4,488,322	60.85	8.18
1985	1,345,630	2,723,848	4,069,478	66.93	(0.26)
1986	1,383,188	2,556,945	3,940,133	64.89	(6.13)

Table 44 shows that although there was an increase in costs during fiscal 1984, the first year of state assumption, in subsequent years the cost of the state medical program has actually declined. Because SRS has not maintained statistics on the characteristics of the state medical population it is not possible to tell if costs are decreasing as a result of a lower caseload or if the costs are declining as a result of lower claims per client. Staff of SRS have reported anecdotal data that would suggest that the cost per client is declining, but that the caseload for state medical is increasing slightly. A second reason for the drop in state medical costs may be the shift of clients from the state funded general relief program to medicaid. During the 1985 legislative session, \$100,000 per year was appropriated to SRS for a contract with Montana Legal Services Corporation to provide legal assistance to general assistance clients in their application for federal disability programs. Once qualified for federal disability payments, these individuals would automatically qualify for medicaid. Unfortunately, accurate statistics have not been maintained that would show the actual dollar savings per client shifted from the state medical program to medicaid. However, because qualification for federal disability payments requires a substantiated medical disability, the likelihood is that clients shifted to the federal program are individuals who would have had high state medical costs.

Current level funding for the state medical program is set at the same level as the fiscal 1987 appropriation. This funding level assumes that by fiscal 1988 the majority of clients who have serious medical problems will have been shifted to the medicaid program and any increases in the caseload will be offset by the continued decline in the cost per client served.

Medicaid-Institutions

Medicaid reimbursement for care in the state institutions is a function of the medicaid rate per day of care, times the total number of days of care, minus the third party reimbursements such as insurance and private payments. Because all state institutions are funded with general fund, the medicaid revenue generated through reimbursements is an important offset to the state's cost of operating the institutions. The following table shows the current level funding for state institutions receiving medicaid reimbursement, the federal portion of the medicaid revenue received, and the federal revenue as a percent of the total institutional costs.

Table 45
State Institution Cost During Fiscal 1986
and Federal Medicaid Revenue as a Percent of Total Costs

<u>Institution</u>	<u>Actual FY 86 Cost</u>	<u>Federal Medicaid Revenue</u>	<u>Revenue as % of Total Costs</u>
Mt. Dev. Center	\$10,778,767	\$5,185,998	48.11
Center For the Aged	2,501,252	717,154	28.67
Eastmont	2,087,466	893,374	42.80
Montana State Hospital	19,323,241	757,646	3.92
Total	<u>\$34,690,726</u>	<u>\$7,554,172</u>	<u>21.78</u>

As may be seen from the above table, during fiscal 1986 the state received \$7.5 million of federal revenue or 22 percent of the total cost of operation of the four institutions. Current level funding is based on each institution receiving the maximum reimbursement rate per day of care allowed under federal regulations. The following table shows the medicaid reimbursement by institution for the 1989 biennium.

Table 46
Current Level Total Medicaid Funding for State Institutions

<u>Institution</u>	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Mt. Dev. Center	\$ 7,812,541	\$ 9,607,454	\$ 9,991,865
Center For the Aged	1,080,377	1,235,464	1,266,442
Eastmont	1,345,848	1,715,269	1,783,640
Montana State Hospital	1,141,378	1,272,048	1,315,474
Total	<u>\$11,380,193</u>	<u>\$13,830,235</u>	<u>\$14,357,421</u>
Funding			
Federal Funds	\$ 7,554,172	\$ 9,530,415	\$10,186,590
General Funds	3,826,021	4,299,820	4,170,831
Total	<u>\$11,380,193</u>	<u>\$13,830,235</u>	<u>\$14,357,421</u>

Medicaid Nursing Homes

Total medicaid nursing home costs are the product of the total estimated number of nursing home beds, the percent of nursing home beds filled by medicaid patients, and the medicaid reimbursement rate. Although there has been a steady growth in the elderly population and consequently the potential number of medicaid eligible nursing home clients, analysis of the average monthly caseload and average monthly nursing home bed/days used by medicaid eligible clients shows a declining utilization of nursing homes relative to the number of medicaid eligible recipients. Table 47

presents the average monthly nursing home utilization rate for medicaid clients from fiscal 1982 through fiscal 1986.

Table 47
Nursing Home Utilization Rate
Fiscal 1982 through Fiscal 1986

<u>Fiscal Year</u>	<u>Monthly Caseload</u>	<u>Monthly Bed-Days</u>	<u>Utilization* Rate</u>	<u>% Increase (Decrease)</u>
1982	10,860	105,161	9.6833	0.00
1983	10,265	102,856	10.0200	3.48
1984	10,278	103,378	10.0582	0.38
1985	10,831	101,429	9.3647	(6.89)
1986	11,436	101,814	8.9029	(4.93)

*Nursing home days per month per eligible.

Table 47 shows that from fiscal 1982 to fiscal 1986 the average monthly SSI caseload grew from 10,860 to 11,436 or a 5.3 percent increase. During the same period, the average monthly bed/days used by medicaid clients declined from 105,161 to 101,814 or a 3.2 percent drop. Two factors that may account for the decline in nursing home utilization are the increased use of community based alternatives to nursing home care under the medicaid waiver discussed above and the availability of nursing home beds for medicaid clients. According to staff of the department of health, because nursing home occupancy rates have been high in certain areas of the state, some nursing homes have been able to exclude medicaid clients in favor of private patients who can afford to pay a higher rate than medicaid reimburses.

Current level funding for medicaid nursing home reimbursement assumes that the utilization rate per eligible will continue to decline through the 1989 biennium but that there will be an overall increase in the number of nursing home bed days as a result of 254 new nursing home beds that are scheduled to be available by fiscal 1988. The following table shows the total nursing home bed-days available, the number of medicaid bed-days, and the percent of total bed-days used by medicaid clients from fiscal 1984 through 1986 and the projected bed-days for the 1989 biennium.

Table 48
Total Nursing Home Bed-Days, Medicaid Bed-Days, and
Percent Medicaid Bed-Days of Total

<u>Fiscal Year</u>	<u>Total Bed-Days</u>	<u>Medicaid Bed-Days</u>	<u>% Medicaid Bed-Days</u>
1984	2,130,140	1,240,536	58.24
1985	2,145,470	1,217,148	56.73
1986	2,196,570	1,221,768	55.62
----- Projected -----			
1988	2,287,820	1,281,179	56.00
1989	2,287,820	1,281,179	56.00

Current level freezes the reimbursement rate at the fiscal 1987 level. The following table shows the fiscal 1986 actual medicaid nursing home expenditures and the current level funding for the 1989 biennium.

Table 49
Current Level Funding of Medicaid
Reimbursement for Nursing Homes

	<u>Fiscal 1986</u>	<u>Fiscal 1988</u>	<u>Fiscal 1989</u>
Federal Funds	\$27,291,763	\$31,052,674	\$31,971,952
General Fund	14,124,539	14,009,979	13,090,701
Total	<u>\$41,416,302</u>	<u>\$45,062,653</u>	<u>\$45,062,653</u>

Medicaid-Primary Care

The primary care program provides reimbursement for the costs of inpatient and outpatient hospital care, drug, dental, and mental health services, medical transportation, audiological, speech, and physical therapies, and other medically related services for low income persons who meet the state and federal eligibility criteria for medicaid. The total primary care caseload is made up of two distinct groups: AFDC and the aged, blind and disabled. Because of differences in service utilization and caseload growth, the primary care benefits are calculated separately for each group.

Basically, primary care costs are determined by two factors: 1) the number of service recipients (caseload); and 2) the cost of the services provided (price). Unfortunately, the effects of the two factors are additive, i.e., if caseload and price both increase, the total increase in the costs of the medicaid program is approximately equal to the sum of the increases in the two factors. The following table shows the caseload, cost per case, and total annual cost of the medicaid program from fiscal 1983 through fiscal 1986.

Table 50
Increases in Average Monthly Recipients, Average Cost/Recipient,
and in Total Annual Cost of Primary Care Services

- AFDC -						
Fiscal Year	Monthly Caseload	Percent Increase	Average Cost/Case	Percent Increase	Total Cost	Percent Increase
1983	6,312	0.00	\$259.05	0.00	\$19,624,345	0.00
1984	7,119	12.79	261.77	1.05	22,414,837	14.22
1985	7,622	7.07	259.28	(0.95)	23,729,626	5.87
1986	8,675	13.82	280.75	8.28	29,225,873	23.16
- SSI -						
1983	10,266	0.00	\$169.30	0.00	\$20,862,160	0.00
1984	10,279	0.13	172.75	2.04	21,302,003	2.11
1985	10,831	5.37	179.79	4.08	23,373,896	9.73
1986	11,436	5.59	186.75	3.87	25,628,964	9.65
- TOTAL -						
1983	16,578	0.00	\$203.52	0.00	\$40,486,505	0.00
1984	17,398	4.95	209.40	2.89	43,716,840	7.98
1985	18,453	6.06	212.72	1.59	47,103,522	7.75
1986	20,111	8.98	227.30	6.85	54,854,837	16.46

As may be seen from Table 50, total primary care expenditures for AFDC increased 25 percent between fiscal 1985 and 1986 as a result of significant increases in both the average monthly caseload (13.82 percent) and the average cost per case (10.9 percent). Total expenditures for the SSI medicaid-other increased 12.2 percent during the same period due to a slower growth in caseload and lower increase in the cost per case.

Because medicaid regulations specify that all individuals who qualify for federal SSI payments must be deemed medicaid eligible, the state has little control over the size of the medicaid-other SSI caseload. However, as discussed in the section dealing with AFDC, the state does have some options in limiting the size of the AFDC caseload.

Increases in the cost per case are primarily the result of general inflation in the health care industry and changes in the service utilization patterns of the caseload. Service utilization refers to the percent of medicaid eligible clients who actually receive a medical service and the type of services provided. Analysis of patterns of service utilization by medicaid recipients since fiscal 1983 indicates a steady increase in the percent of medicaid eligible clients who actually receive a service and a significant increase in the use of more expensive services such as inpatient hospital care, particularly for AFDC clients. As discussed under the issues section, the state does have some flexibility in controlling service utilization.

Although the AFDC caseload increased 13.8 percent between fiscal 1985 and 1986, current level funding assumes an average growth in the caseload of 7.5 percent per

year through fiscal 1989. The SSI caseload is projected to increase an average of 5.4 percent per year during the same period. The following table shows the current level funding for primary care.

Table 51
Current Level Funding for Primary Care Benefits
During the 1989 Biennium

SSI				% Increase 1986-1989
	Fiscal 1986	Fiscal 1988	Fiscal 1989	
Federal Funds	\$16,886,924	\$20,975,848	\$22,721,144	34.55
General Funds	8,742,040	9,463,636	9,303,019	6.42
Total	<u>\$25,628,964</u>	<u>\$30,439,484</u>	<u>\$32,024,163</u>	<u>24.95</u>
AFDC				
Federal Funds	\$19,256,928	\$25,036,662	\$27,464,454	42.62
General Funds	9,968,945	11,295,745	11,245,136	12.80
Total	<u>\$29,225,873</u>	<u>\$36,332,407</u>	<u>\$38,709,590</u>	<u>32.45</u>
TOTAL				
Federal Funds	\$36,143,852	\$46,012,510	\$50,185,598	38.85
General Funds	18,710,985	20,759,381	20,548,155	9.82
Total	<u>\$54,854,837</u>	<u>\$66,771,891</u>	<u>\$70,733,753</u>	<u>28.95</u>

ISSUE 1: MEDICAID DATA BASE

Although projecting the medicaid budget involves a complex mix of caseloads and a variety of different service provider systems, the problems of analyzing the program and projecting costs are seriously compounded by the quality of data that has been available from the department. Because the budget for this program is so large, considerable time and effort is spent by the legislature establishing the initial appropriation and then monitoring expenditures during the interum through the Legislative Finance Committee. After a series of very confrontational meetings with the Legislative Finance Committee discussing the accuracy of the fiscal 1984 medicaid appropriation and the department's request for additional medicaid funds, SRS ultimately reverted approximately \$7.5 million of general fund for the 1985 biennium.

During fiscal 1984, SRS changed fiscal intermediaries for management of the medicaid reimbursement system from Hancock/Dikewood to the current contractor Consultec, Inc. Again, there was considerable discussion with the Legislative Finance Committee concerning the cost of the new system (estimated by the department to be \$6.0 million over the three year life of the contract) and the accuracy of the data. Recognizing the importance of historical data in projecting future medicaid costs, the department was specifically asked by the Legislative Finance Committee to ensure continuity of data between Hancock/Dikewood and Consultec. The department stated that data would be comparable and that a "bridge" would be established between the two systems. Unfortunately, by the department's own admission no bridge has been established and the data are not comparable.

In addition to confounding projections of cost, the lack of accurate data also impedes analysis of the impact of any medicaid policy change adopted by the legislature.

The current contract with Consultec expires in February, 1988 and must be rebid. The department is requesting additional funds for a new contract and is proposing several changes to the existing procedure, including moving the data collection and processing to the state's computer system. If provisions are not made to ensure continuity between the Consultec data that has been collected during the previous three years and the proposed system, the legislature and the department will again be faced with inadequate data for analysis of the medicaid program.

Option A: The legislature may require that a specific requirement be included in the request for bids on the new system that would require continuity of data.

ISSUE 2: MEDICAID APPROPRIATION LIMIT

Under current procedures, for all practical purposes SRS is provided an open ended appropriation for the medicaid program. Despite considerable time and effort spent before and during the legislative session establishing the medicaid appropriation, no constraints are imposed on the department to keep medicaid expenditures within the appropriation limits because medicaid is viewed as an "entitlement" program. Large supplemental funding requests for the program occurred during the 1985 session (\$2.5 million general fund), and the department is requesting \$9.8 million for the current biennium, of which \$3.5 million is general fund.

Although federal regulations require that certain mandatory services be provided to all medicaid eligible recipients, the "amount, duration and scope" of the benefits provided under the medicaid program is largely under the control of the state. The size and interactive nature of the various services included under the medicaid program makes detailed legislative control virtually impossible. However, the director of SRS does have the resources and responsibility to evaluate the programmatic and fiscal impact of changes in the system and could implement adjustments to the "amount, duration and scope" of the program as necessary to meet appropriation limits. In fact, the department has conducted a detailed review of the medicaid program with the intent of identifying reductions that would be "the most appropriate, the most equitable, and the most likely to succeed."

As part of the appropriation process, the legislature could review potential reductions to the medicaid program and establish guidelines for implementation of reductions if it appears that the established appropriation level would otherwise be exceeded. As part of the guidelines, the legislature could also establish a limit to the amount of reductions that the department could impose. By setting such guidelines and stipulating that expenditures for the medicaid program not exceed the appropriation, the detailed management and control of costs of the medicaid program would be the direct responsibility of the director of SRS.

Option A: The legislature could establish guidelines for program reductions to the medicaid program that would be implemented by SRS if indications are that expenditures would otherwise exceed the appropriation.

AUDIT AND PROGRAM COMPLIANCE

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	44.00	44.00	41.00	41.00	3.00
Personal Service	\$1,038,676	\$1,050,160	\$1,055,434	\$1,054,984	1.0
Operating Expense	164,990	169,711	164,384	165,581	(1.4)
Equipment	6,667	400	-0-	-0-	(100.0)
Total Operating Costs	\$1,210,333	\$1,220,271	\$1,219,818	\$1,220,565	0.4
Non-Operating Costs	87,659	128,203	115,000	115,000	6.5
Total Expenditures	\$1,297,992 =====	\$1,348,474 =====	\$1,334,818 =====	\$1,335,565 =====	0.9 =====
Fund Sources					
General Fund	\$ 587,277	\$ 660,305	\$ 591,612	\$ 591,974	(5.1)
Federal Revenue	710,715	688,169	743,206	743,591	6.3
Total Funds	\$1,297,992 =====	\$1,348,474 =====	\$1,334,818 =====	\$1,335,565 =====	0.9 =====

The Audit and Program Compliance program conducts financial audits, quality control reviews, and seeks financial recoveries for all programs administered by SRS. Financial audits determine appropriateness of expenditures, compliance with contract terms, and adequacy of internal fiscal controls. Quality control reviews are conducted on selected AFDC, food stamp and medicaid cases to assure compliance with state and federal eligibility rules. The program also monitors the medicaid program to recover misspent medicaid dollars, remove or restrict recipients or providers who abuse the system, and ensure that liable third party payors, such as insurance or medicare, pay their share before medicaid is billed.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 52
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	44.00	44.00	0.00
Personal Service	\$1,078,900	\$1,038,676	\$ 40,224
Operating Expense	167,211	164,990	2,221
Equipment	400	6,667	(6,267)
Total Operating Costs	\$1,246,511	\$1,210,333	\$ 36,178
Grants/Benefits	128,255	87,659	40,596
Total Expenditures	<u>\$1,374,766</u>	<u>\$1,297,992</u>	<u>\$ 76,774</u>
Funding			
General Fund	\$ 682,855	\$ 587,277	\$ 95,578
Federal Revenue	691,911	710,715	(18,804)
Total Funds	<u>\$1,374,766</u>	<u>\$1,297,992</u>	<u>\$ 76,774</u>

Including unallocated salaries of \$30,808, the total underexpenditure for personal services in fiscal 1986 was \$69,784 or a vacancy savings rate of 6.3 percent. These savings in personal services were achieved through not filling selected positions as they became vacant. However as may be seen from Table 53, there has not been a significant reduction in the number of audits performed by the program.

Table 53
Audits Conducted Fiscal Years 1984 through Fiscal 1986

Program Audited	FY 84	FY 85	FY 86
Aging Services Providers	7	17	7
DD Providers	12	15	11
Foster Care Providers	10	5	14
Food Stamp Issuing Agents	21	18	19
LIEAP and Weatherization	7	20	6
Grant in Aid	10	11	3
Blind Vendor Stands	5	1	7
Medicaid Case Management	0	0	9
Special Projects			
Emergency Food and Shelter (HRDC and Tribes)	5	0	0
Lewistown HRDC - CSD Contract	1	0	0
Food Stamp Fraud Investigation	2	0	0
Community Services Block Grant	1	0	12
Mental Health Services	<u>0</u>	<u>0</u>	<u>1</u>
Total Audits	<u>81</u>	<u>87</u>	<u>89</u>

Based on the audit information, the amounts questioned or recommended for return to the department were \$702,316 during fiscal 1985 and \$443,746 during fiscal 1986. According to SRS staff, after a recommendation for return of funds is made by the audit staff, the department negotiates with the provider and approximately 40 percent of the funds are ultimately returned to the state.

As noted above, a second major function of the audit staff is to ensure that liable third party payors are billed. Table 54 shows the recovery activity for fiscal 1984 through fiscal 1986.

Table 54
Funds Recovered - Fiscal Years 1984 through 1986

Source of Recovery	Fiscal 1984	Fiscal 1985	Fiscal 1986
Third Party Liability	\$ 559,666	\$ 795,105	\$ 791,861
Estate Recoveries	216,163	177,483	123,249
Food Stamp Fraud and Overissuances	94,716	117,764	154,953
AFDC Fraud and Overpayments	68,862	69,373	100,256
Medicaid Client Fraud and Overpayments	30,342	31,800	85,682
Medicaid Provider Fraud and Overpayments	<u>38,598</u>	<u>125,527</u>	<u>37,076</u>
Total Recoveries	<u>\$1,008,347</u>	<u>\$1,317,052</u>	<u>\$1,293,077</u>

The funds shown in Table 54 are "recovered" in the sense that SRS pays the bill and subsequently identifies a liable payor and "recovers" the payment. Again, as may be seen from Table 3, the 6.3 percent personal services vacancy savings has not significantly reduced the level of funds recovered.

The grants/benefits expenditure of \$87,659 as shown in Table 52, is a federal grant to investigate AFDC and food stamp fraud cases for possible prosecution and recovery of funds. These funds are "passed through" to the Department of Revenue which charges against the grant depending on the amount of time its revenue investigators spend on SRS cases.

Funding for the program is a combination of general fund and federal funds from 20 sources. The funding ratio for general fund and federal funds varies according to the amount of time Audit and Program Compliance staff spend on federal versus state projects. Although the appropriation for the program during the 1987 biennium was a 50/50 ratio of federal and general fund, actual expenditures during fiscal 1986 were 54.75 percent federal funds and 45.25 percent general fund.

Current Level Adjustments

Only minor adjustments were made to the current level base amounting to less than 1 percent of the operating costs. Funding for the program was maintained at the actual fiscal 1986 funding ratio.

VOCATIONAL REHABILITATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	65.43	65.75	64.30	64.30	1.45
Personal Service	\$1,446,883	\$1,463,413	\$1,536,578	\$1,536,552	5.6
Operating Expense	367,552	354,847	367,679	366,909	1.7
Equipment	12,794	3,810	5,847	5,847	(29.6)
Total Operating Costs	\$1,827,229	\$1,822,070	\$1,910,104	\$1,909,308	4.7
Non-Operating Costs	3,445,061	3,668,074	3,648,047	3,648,047	2.6
Total Expenditures	<u>\$5,272,290</u>	<u>\$5,490,144</u>	<u>\$5,558,151</u>	<u>\$5,557,355</u>	<u>(3.3)</u>

Fund Sources

General Fund	\$ 662,090	\$ 727,674	\$ 679,329	\$ 679,329	(2.2)
State Special	666,181	563,666	593,456	593,456	(3.5)
Federal Revenue	3,944,019	4,198,804	4,285,366	4,284,570	5.2
Total Funds	<u>\$5,272,290</u>	<u>\$5,490,144</u>	<u>\$5,558,151</u>	<u>\$5,557,355</u>	<u>3.3</u>

ISSUES:	- - - - - Fiscal 1988 - - - - -		- - - - - Fiscal 1989 - - - - -	
	General Fund	Other Funds	General Fund	Other Funds
1. Additional Benefits				
Option A: Federal	\$ -0-	\$1,076,476	\$ -0-	\$ 648,043
Option B: Federal And IARA	-0-	1,753,486	-0-	1,008,878

The primary mission of the Vocational Rehabilitation Program is to provide an array of services to handicapped persons of employable age with the intent of returning them to gainful employment. In compliance with federal Vocational Rehabilitation Act guidelines, the emphasis of the program is on serving the severely disabled. However, to qualify for participation in the federally funded portion of the program, there must be a reasonable expectation that services provided by the vocational rehabilitation agency will eventually restore the individual to gainful employment. Services provided include diagnostic evaluation, vocational training, physical restoration, counseling, job placement, and follow-up.

The division also administers an Extended Employment program. This program subsidizes the costs of employment in sheltered workshops for the very seriously disabled who, because of the severity of their disability, are not eligible for the federally funded Vocational Rehabilitation Program.

The 1985 legislature also approved funding for a new program to provide services to populations who had previously not been eligible for the traditional vocational rehabilitation services due to the severity of their disability. Individuals with disabilities such as muscular dystrophy, brain-stem injury, and multiple sclerosis are provided a variety of services intended to increase their mobility and personal independence.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 55
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	65.75	65.43	0.17
Personal Service	\$1,460,919	\$1,446,883	\$ 14,036
Operating Expense	347,126	367,552	(20,426)
Equipment	3,810	12,794	(8,984)
Total Operating Costs	<u>\$1,811,855</u>	<u>\$1,827,229</u>	<u>\$ (15,374)</u>
<u>Grants/Benefits</u>			
Special Disabled	\$ 116,000	\$ 107,427	\$ 8,573
Extended Employment	289,200	266,721	22,479
Rehabilitative Services	<u>3,117,612</u>	<u>2,943,030</u>	<u>174,582</u>
Total Benefits	<u>\$3,522,812</u>	<u>\$3,317,178</u>	<u>\$ 205,634</u>
Total Expenditures	<u>\$5,334,667</u>	<u>\$5,144,407</u>	<u>\$ 190,260</u>
<u>Funding</u>			
General Fund	\$ 731,479	\$ 662,090	\$ 69,389
State Special	541,891	541,133	758
Federal Revenue	<u>4,061,297</u>	<u>3,941,184</u>	<u>120,113</u>
Total Funds	<u>\$5,334,667</u>	<u>\$5,144,407</u>	<u>\$ 190,260</u>
<u>Additions</u>			
Budget Amendments	<u>\$ -0-</u>	<u>\$ 127,883</u>	<u>\$(127,883)</u>

The reduction of the 0.17 FTE results from a reorganization of personnel between the Vocational Rehabilitation Program and other programs in the department to establish two disability determination hearing officer positions in the Administration and Support Program.

Overexpenditure in operating costs was primarily in the area of communications, which were overspent by \$18,770. Underexpenditures in travel and rent totaled \$10,937. Overall, the operating portion of the budget was overexpended by \$15,374 or less than 1 percent of the appropriated amount.

The grants and benefits portion of the budget was underexpended by \$205,634 or 6 percent of the appropriated level. This underexpenditure occurred primarily in the area of general rehabilitation services. Both the extended employment and special population programs expended most funds appropriated.

Current Level Adjustments

Personal services are reduced by a 1.0 FTE human services aide and a 0.13 FTE administrative aid position. Both positions were vacant all of fiscal 1986 and the majority of fiscal 1985. Neither position was filled as of November, 1986. As part of a fiscal 1986 departmental reorganization, 0.17 FTE were transferred to the Administrative and Support Program and 0.15 FTE were transferred to Visual Services.

Only minor adjustments were made to the operating portion of the budget and amounted to less than one percent of the fiscal 1986 actual expenditure level.

Equipment included in the current level funding includes replacement of dictating and transcribing equipment in field offices.

For current level funding, benefits are frozen at the fiscal 1987 level in accordance with the policy adopted during Special Session III. The following table shows the fiscal 1986 expenditures and the current level funding for vocational rehabilitation programs by source of funds.

Table 56
Fiscal 1986 Actual Expenditures and
Current Level Funding for Vocational Rehabilitation

	Fiscal 1986	Fiscal 1988	Fiscal 1989
<u>Operations and Service</u>			
Federal Inservice	\$ 13,739	\$ 13,500	\$ 13,500
Federal Dis. Determin.	55,188	57,418	56,622
Federal SSI	-0-	52,378	52,378
Federal SSDI	-0-	50,000	50,000
Federal Section 110	1,406,066	\$1,388,247	1,388,247
General Fund Inservice Match	1,526	1,500	1,500
General Fund 110 Match	350,710	347,061	347,061
Total Oper. and Ser.	<u>\$1,827,229</u>	<u>\$1,910,104</u>	<u>\$1,909,308</u>
<u>Benefits</u>			
Federal SSI	\$ 52,378	\$ -0-	\$ -0-
Federal Sp. Population	96,480	-0-	-0-
Federal JTPA	405,167	350,000	350,000
Federal Section 110	1,915,001	2,373,823	2,373,823
State IARA	666,181	593,456	593,456
General Fund Sp. Population	10,953	-0-	-0-
General Fund Extend Emp	266,721	283,768	283,768
General Fund 110 Match	32,180	47,000	47,000
Total Benefits	<u>\$3,445,061</u>	<u>\$3,648,047</u>	<u>\$3,648,047</u>
<u>Funding</u>			
Federal Funds	\$3,944,019	\$4,285,366	\$4,284,570
State Special	666,181	593,456	593,456
General Fund	662,090	679,329	679,329
Total Funding	<u>\$5,272,290</u>	<u>\$5,558,151</u>	<u>\$5,557,355</u>

Because SRS presented testimony to the 1985 legislature that the federal grant available for the special population program was a one time funding, no funds have been included in current level for this program.

This program receives funds from a variety of federal sources including "Section 110" funds from Vocational Rehabilitation, Disability Determination, Supplemental Security Income (SSI) and Social Security Disability Income (SSDI) from the Social Security Administration, Job Training Partnership Act (JTPA), and Inservice Training funds from the Department of Education. Additionally, the program receives state special revenue funds from the Industrial Accident and Rehabilitation Account (IARA). Section 110 funds are the only federal funds requiring a match with state funds and are matched at an 80/20 ratio of federal/state funds. The state IARA funds can be used as the state's match for the federal Section 110 funds under grants and benefits but not for administration. To reduce the general fund match requirement

for federal Section 110 funds, all SSI and SSDI funds have been used in the administration and services portion of the budget.

ISSUE 1: ADDITIONAL REHABILITATION BENEFITS

The department's current estimate of the federal Vocational Rehabilitation Section 110 grant for fiscal 1988 is \$4,741,456. Based on current expenditure rates for fiscal 1987, the Vocational Rehabilitation and Visual Services Programs will not expend the full amount of Section 110 funds available for fiscal 1987 and approximately \$500,000 additional carryover funds would be available for fiscal 1988. Current level funding for benefits only uses \$4,412,680 of the Section 110 funds, leaving a balance of \$800,000. Because these federal funds require a 20 percent state match, approximately \$215,000 of state funds would be required to match the carryover funds. Current level benefits for fiscal 1988 only require \$593,456 of the total \$1,485,761 of state Industrial Accident and Rehabilitation Account (IARA) funds available, leaving more than enough funds to fully match available federal Section 110 funds. A similar situation exists during fiscal 1989, and the Vocational Rehabilitation Program should have approximately \$500,000 of excess Section 110 funds and \$570,000 excess IARA funds.

- Option A: Increase vocational rehabilitation benefits by \$1,076,476 in fiscal 1988 and \$648,043 in fiscal 1989 to fully utilize available federal Section 110 funds.
- Option B: Increase vocational rehabilitation benefits by \$1,753,486 in fiscal 1988 and \$1,088,878 in fiscal 1989 to fully utilize all available federal Section 110 funds and all available IARA funds.

DISABILITY DETERMINATION

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	44.13	44.13	44.13	44.13	0.00
Personal Service	\$1,204,408	\$1,081,537	\$1,208,965	\$1,212,380	5.9
Operating Expense	1,009,123	1,151,479	1,063,918	1,063,659	(1.5)
Equipment	21,675	11,000	16,819	6,435	(28.8)
Total Operating Costs	\$2,235,206	\$2,244,016	\$2,289,702	\$2,282,474	2.1
Non-Operating Costs	52,433	75,891	51,984	51,984	(19.0)
Total Expenditures	\$2,287,639	\$2,319,907	\$2,341,686	\$2,334,458	1.5
<u>Fund Sources</u>					
Federal and Other	\$2,287,639	\$2,319,907	\$2,341,686	\$2,334,458	1.5

The Disability Determination Bureau is a federally funded program that conducts disability determinations of Montana applicants for Supplemental Security Income (SSI) and Supplemental Security Disability Income (SSDI) benefits. Current SSI and SSDI cases are also reviewed to determine if they should remain on or be suspended from receiving benefits. In addition to the federal disability determinations, the program also provides examinations for individuals applying for medicaid under the state's medically needy program. Funding for SSI and SSDI disability determinations is 100 percent federal funds from the Social Security Administration. During fiscal 1986, \$2,239,916 or 98 percent of the total \$2,287,639 expenditures for the bureau were related to SSI or SSDI reviews. Funding for the medically needy portion of the program is through a contract with the Medical Assistance program of SRS and is funded at the same federal/state ratio as medicaid benefits. During fiscal 1986, \$47,723 was spent for medically needy reviews of which \$15,255 was general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 57
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	44.13	44.13	0.00
Personal Service	\$1,076,445	\$1,204,407	\$(127,962)
Operating Expense	1,128,998	992,774	136,224
Equipment	11,000	21,675	(10,675)
Total Operating Costs	\$2,216,443	\$2,218,856	\$ (2,413)
Grants/Benefits	54,982	52,433	2,549
Total Expenditures	<u>\$2,271,425</u>	<u>\$2,271,289</u>	<u>\$-----136--</u>
<u>Funding</u>			
Federal Revenue	<u>\$2,271,425</u>	<u>\$2,271,289</u>	<u>\$-----136--</u>
<u>Additions</u>			
Budget Amendments	<u>\$-----0-----</u>	<u>\$-----16,350</u>	<u>\$--(16,350)</u>

Over expenditure of personal service funds results from increased utilization of the 10 physicians employed by the bureau to conduct medical examinations. Although originally budgeted for \$126,500 during fiscal 1986, actual expenditures for the physicians was \$228,299. The increased medical costs are caused by an error in budgeting the physicians hourly rate at \$28 per hour rather than the actual rate of \$55 per hour.

Underexpenditure in operating costs were primarily in contracted medical services. In addition to reviews conducted by part-time staff physicians, the bureau also contracts for medical examinations. However, the number of examinations were significantly short of the number projected during the 1985 legislative session resulting in an underexpenditure of approximately \$150,000 of a total contracted services budget of \$900,000. The underexpenditure in contracted services was partially offset by a \$40,000 overexpenditure for communications.

Overexpenditure of equipment was for purchase of computer equipment.

The program received a budget amendment for \$369,536 to: 1) upgrade their computer system; 2) pay for an anticipated increase in mental examinations as a result of changes in the federal regulation; and 3) to conduct functional assessment reviews which were estimated to double the cost of medical services. However, only \$16,350 of the budget amended funds were actually expended due to a significantly lower than anticipated increase in the number of reviews required, the availability of existing federal spending authority and delay in implementing the computer upgrade.

Current Level Adjustments

Major adjustments to the current level include an increase of \$36,000 in contracted services to fund use of the SRS computer system by the disability determination bureau. Use of the computer will allow the bureau to collect and analyze data automatically that was previously done manually; \$6,203 was added for contract secretarial services to assist in the dictation of medical reviews; \$22,233 was added for increases in rent for non-state owned buildings; \$15,000 was added to travel for the disabilities determination hearings unit which must conduct face-to-face hearings when denying a disability claim.

The following table compares the number and costs of medical examinations for SSI/SSDI clients and the examinations for the medically needy during fiscal 1986.

Table 58
Comparison of Medical Examinations and Cost Per Examination for SSI/SSDI
Recipients and for the Medically Needy Program During Fiscal 1986

	Cases	Cost/Exam	Total Cost
Federal SSI/SSDI	6,776	\$330.56	\$2,239,916
Medically Needy	187	255.20	47,723

Table 58 shows that the cost of a medical examination for the medically needy is approximately \$75 or 25 percent less than the cost of the federal SSI/SSDI examinations. For fiscal 1986, the 1985 legislature appropriated \$45,792 for medical reviews of the medically needy anticipating approximately 200 reviews at \$230 per review. However, as shown in the above table, the cost for the medically needy program for fiscal 1986 is \$2,000 above what was anticipated during the 1985 legislative session and the cost per review is substantially higher. Current level funding of the disabilities determination bureau is based on a continued slow decline in the number of cases reviewed. \$50,000 is included each year of the biennium for medical reviews for the medically needy program.

VISUAL SERVICES

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	19.75	20.45	19.90	19.90	0.55
Personal Service	\$438,883	\$459,936	\$489,414	\$489,276	8.9
Operating Expense	165,189	170,167	111,406	111,200	(33.6)
Equipment	2,960	1,000	2,960	2,960	49.5
Total Operating Costs	\$607,032	\$631,103	\$603,780	\$603,436	(2.5)
Non-Operating Costs	360,138	288,928	288,928	288,928	(11.0)
Total Expenditures	<u>\$967,170</u>	<u>\$920,031</u>	<u>\$892,708</u>	<u>\$892,364</u>	<u>(5.4)</u>
Fund Sources					
General Fund	\$241,830	\$247,794	\$238,723	\$238,379	(2.6)
Federal Revenue	725,340	672,237	653,985	653,985	(6.4)
Total Funds	<u>\$967,170</u>	<u>\$920,031</u>	<u>\$892,708</u>	<u>\$892,364</u>	<u>(5.4)</u>

The Visual Services Program provides rehabilitation services to the visually impaired and blind. In addition to physical restoration, services include rehabilitation training, orientation and mobility, independent living, and medical care related to visual impairments. Funding for this program is primarily from the federal "Section 110" Vocational Rehabilitation Act and the general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 59
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

<u>Budget Item</u>	<u>Legislature</u>	<u>Actual</u>	<u>Difference</u>
F.T.E.	20.45	19.75	0.70
Personal Service	\$459,011	\$438,883	\$ 20,128
Operating Expense	166,856	165,189	1,667
Equipment	1,000	2,960	(1,960)
Total Operating Exp.	\$626,867	\$607,032	\$ 19,835
<u>Grants/Benefits</u>			
Rehabilitation Services	\$200,783	\$293,740	\$ (92,957)
Extended Employment	-0-	14,673	(14,673)
Visual Medical	52,379	51,725	654
Total Benefits	\$253,162	\$360,138	\$(106,976)
Total Costs	<u>\$880,029</u>	<u>\$967,170</u>	<u>\$(87,141)</u>
<u>Funding</u>			
General Fund	\$221,512	\$241,830	\$(20,318)
Federal Revenue	658,517	725,340	(66,823)
Total Funds	<u>\$880,029</u>	<u>\$967,170</u>	<u>\$(87,141)</u>

The reduction of 0.7 FTE occurred as a result of department-wide reorganization to create two disability determination hearings officer positions in the Administration and Support Program. The position transferred from Visual Services was not a direct care position and had been vacant throughout fiscal 1985.

Personnel services were underspent by \$20,128 primarily as a result of two rehabilitation counselor positions remaining vacant through most of fiscal 1986. The 0.7 FTE was transferred to the Administration and Support Program as part of a departmental staff reorganization to create two disabilities determination hearing officer positions.

The grants and benefits portion of the budget was overspent by \$106,976 or 132 percent over the amount authorized by the 1985 legislature. Funding for the overexpenditure of grants and benefits was possible through a transfer of \$117,551 in federal funds and general fund from the Vocational Rehabilitation Program appropriations.

Current Level Adjustments

The major adjustment to current level operating costs was the elimination of the contract with Helena Industries to manage the Blind Vendor Program. The Blind

Vendor Program was begun during the 1985 biennium to assist sight impaired individuals in managing small vending operations in public buildings. However, according to SRS staff, the cost of approximately \$50,000 per year to operate the program relative to the number of individuals actually receiving service did not warrant its continuation and the program was discontinued in fiscal 1986. Other adjustments to the operating portion of the budget amounted to less than 1 percent.

Current level funding for benefits is maintained at the level appropriated for fiscal 1987. The following table shows the current level funding for the Visual Services Program for the 1989 biennium.

Table 60
Fiscal 1986 Actual Expenditures and
Current Level Funding for Visual Services

Operations and Services	FY 1986	FY 1988	FY 1989
Federal In-service	\$ 3,375	\$ 3,375	\$ 3,375
General Fund In-service	375	375	375
Federal Section 110	416,115	480,024	480,024
General Fund 20% Match	187,166	120,006	119,662
Total Operations and Services	<u>\$607,031</u>	<u>\$603,780</u>	<u>\$603,436</u>
Benefits			
JTPA	\$ 20,882	\$ -0-	\$ -0-
General Fund Vis. Medical	51,725	75,696	75,696
Federal Section 110	233,245	170,586	170,586
General Fund 20% Match	54,286	42,646	42,646
Total Benefits	<u>\$360,138</u>	<u>\$288,928</u>	<u>\$288,928</u>
Funding			
Federal Funds	\$673,617	\$653,985	\$653,985
General Funds	293,552	238,723	238,379
Total	<u>\$967,169</u>	<u>\$892,708</u>	<u>\$892,364</u>

DEVELOPMENTAL DISABILITIES

Budget Item	Actual	Appropriated	- - Current Level - -		% Change 1987-89 Biennium
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	
F.T.E.	31.25	31.25	31.25	31.25	0.00
Personal Service	\$ 856,788	\$ 844,145	\$ 886,696	\$ 885,174	4.2
Operating Expense	269,397	245,768	240,259	240,187	(6.7)
Equipment	7,452	-0-	3,866	3,866	(3.8)
Total Operating Costs	\$ 1,133,637	\$ 1,089,913	\$ 1,130,821	\$ 1,129,227	1.4
Non-Operating Costs	15,737,385	17,378,170	17,378,160	17,378,160	5.0
Total Expenditures	<u>\$16,871,022</u>	<u>\$18,468,083</u>	<u>\$18,508,981</u>	<u>\$18,507,387</u>	<u>4.7</u>
<u>Fund Sources</u>					
General Fund	\$ 3,479,457	\$ 5,434,711	\$ 4,771,895	\$ 4,696,636	6.2
Federal and Other	<u>13,391,565</u>	<u>13,033,372</u>	<u>13,737,086</u>	<u>13,810,751</u>	<u>4.2</u>
Total Funds	<u>\$16,871,022</u>	<u>\$18,468,083</u>	<u>\$18,508,981</u>	<u>\$18,507,387</u>	<u>4.7</u>

The Developmental Disabilities Program is responsible for administration of the state's community based programs for individuals disabled by mental retardation, epilepsy, cerebral palsy, autism, or other related disorders that begin prior to the individual reaching eighteen years of age. Division staff are principally administrative and actual services to clients are provided through contracts between the division and 56 private agencies. Services provided include sheltered employment, day care, special transportation, adult and child group homes, evaluation and diagnosis, respite care, family training, and specialized family care.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 61 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Overexpenditure of personal services results primarily from a combination of the program not meeting its budgeted vacancy savings and \$10,344 in additional costs associated with position upgrades that had not been anticipated during the 1985 legislative session.

Equipment purchased during fiscal 1986 not authorized by the legislature included \$5,205 of office equipment and \$1,498 in computer software.

Benefits were underexpended by \$126,216 or less than 1 percent of the appropriated level.

Table 61
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	31.25	31.25	0.00
Personal Service	\$ 846,826	\$ 856,786	\$ (9,960)
Operating Expense	267,402	269,394	(1,992)
Equipment	750	7,453	(6,703)
Total Operating Costs	\$ 1,114,978	\$ 1,133,637	\$(18,651)
Grants/Benefits	15,863,601	15,737,385	126,216
Total Expenditures	<u>\$16,978,579</u>	<u>\$16,871,022</u>	<u>\$107,557</u>
Funding			
General Fund	\$ 3,484,596	\$ 3,479,457	\$ 5,139
Federal Revenue	13,493,983	13,391,565	102,418
Total Funds	<u>\$16,978,579</u>	<u>\$16,871,022</u>	<u>\$107,557</u>

Current Level Adjustments

Adjustments made to the operating portion of the budget include a reduction of \$30,967 in contracted services, most of which is associated with one-time expenditures for development of a statewide program evaluation, and an increase of \$5,000 in travel to allow division field staff an opportunity to visit programs and to provide travel funds for the area I manager position, which was vacant for 5 months during fiscal 1986. Other minor adjustments were made that result in a net reduction of \$4,328 in operational cost over the fiscal 1986 level before inflation.

During the 1985 session, in addition to a 4 percent increase in benefits over the fiscal 1985 current level, the legislature also appropriated \$754,994 in fiscal 1986 and \$2,135,129 in fiscal 1987 for program expansion to reduce the number of clients on the developmental disabilities waiting list. Of the \$2,135,129 available for expansion services, approximately \$30,000 per year was included under operating costs to pay for one additional FTE, with the balance of the funds going towards benefits. Because the expanded services are phased in over the 1987 biennium, the full impact of the additional costs for the new programs will not be evident until fiscal 1987. As shown in the following table, when the expansion funds are included, expenditures for the basic level of services for developmentally disabled programs has increased 14 percent during the 1987 biennium.

Table 62
Comparison of Fiscal 1987 Legislatively Anticipated Expenditures for
DD/Benefits, and SRS
Projected Fiscal 1987 Expenditures

Basic Service	Legislative* Fiscal 1987	Fiscal 1987 Projected	Percent Increase
Adult Group Home	\$ 2,716,397	\$ 3,176,291	16.9
Intensive Group Home	1,329,807	1,361,805	2.4
Child Group Home	1,064,672	1,302,022	22.3
Semi-Indepen. Living	806,017	1,041,019	29.2
Day Services	5,987,293	6,459,246	7.9
Specialized Family	417,331	698,361	67.3
Family Training	1,371,902	1,499,886	9.3
Respite	245,516	277,644	13.1
Vocational Placement	84,379	233,919	177.2
Evaluation	354,806	362,081	2.1
Adaptive Equipment	70,530	70,530	0.0
Transportation	666,242	736,663	10.6
Subtotal	\$15,114,892	\$17,219,467	13.9
<u>New Services</u>			
DD Preschool	\$ 142,088	\$ 142,088	
DD Conference	16,605	16,605	
1986 Expansion	2,105,129	-0-	
Total	\$17,378,714 =====	\$17,378,160 =====	

*Includes \$536,732 reductions made in Special Session III

Under new services, the developmental disability preschool program is funded through a grant from the Office of Public Instruction to assist developmentally disabled preschool children to prepare for school. However, funds for this program were underexpended due to unexpected delays in establishing the program. The developmental disability conference is an annual conference sponsored by the Developmental Disabilities Division. Funding for the conference is from registration fees from participants.

Table 62 shows that projected expenditures for developmental disabilities services increase \$2.2 million during the 1987 biennium with the major portion of the expansion funds going toward increases in residential and day service type programs. Analysis of the costs per service indicate that the additional expenditures are for increased service and not increases in costs per service. Table 63 compares the current level fiscal 1986 number of slots served and cost per service, with projected fiscal 1987 expansion slots and cost per service slot. There was an overall increase of 12.7 percent in the number of slots served and a 2 percent increase in the cost per slot served.

Table 63
Comparison of Increased Slots Served and Cost Per Slot

Service	FY 86 Legislative Cur. Lev.	Cost/Serv. Legislative Cur. Lev.	FY 87 Projected	Cost/Serv. FY 87 Projected	Percent Increase Slots	Percent Increase Costs
Adult Group Home	408	\$ 6,653	455	\$ 6,981	11.52	4.9
Intensive Group Home	70	18,946	76	17,918	8.57	(5.4)
Child Group Home	57	18,619	64	20,344	12.28	9.3
Semi-Indepen. Living	232	3,463	295	3,529	27.16	1.9
Day Services	1,122	5,047	1,275	5,066	7.78	0.4
Specialized Family	30	16,913	73	9,567	97.30	(43.4)
Family Training	408	2,819	464	3,233	13.73	14.7
Respite	467	524	542	512	16.06	(2.3)
Vocational Placement	26	3,235	73	3,204	180.77	(1.0)
Evaluation	286	1,277	317	1,142	14.44	(10.5)
Adaptive Equipment	250	281	270	261	8.00	(7.1)
Transportation	1,055	559	1,275	578	7.78	3.3
Total	4,411 =====	\$3,260 =====	5,179 =====	\$ 3,325 =====	12.66 =====	2.0 =====
Cost/Clients Served	1,946	\$7,702	2,196	\$7,841	12.85	1.8

Because individuals vary considerably in the amount of time they may spend in a particular service, "slots" do not necessarily represent a single individual but rather a full year's funding of, for example, a group home bed. Additionally, a single individual may receive several services during a year and thus be included in more than one slot.

Benefits for the 1989 biennium are funded at the fiscal 1987 contracted level. The fiscal 1987 projected costs are used as the funding base because, as indicated in Table 63, the cost per service has actually declined between fiscal 1986 and fiscal 1987 for many of the services provided. For this reason, no inflation increase is included in current level benefits and it is assumed that the fiscal 1987 number of "slots" will be provided.

Funding

Funding for DD benefits is a combination of federal Social Services Block Grant, LIEAP transfer funds, medicaid, third party reimbursement, and general fund. Table 64 on the following page shows the funding for fiscal 1986 and fiscal years 1988 and 1989.

Table 64
Comparison of Funding Sources for Benefits
Fiscal 1986 and Projected Fiscal 1987

	Fiscal 1986	Fiscal 1988-89	Percent Increase
Current Level Services			
Social Services Block Grant	\$ 9,023,678	\$ 9,023,678	0.0
LIEAP	1,169,310	1,169,310	0.0
Medicaid	2,273,376	2,267,883	(0.2)
General Fund	2,522,084	2,812,724	11.5
Total Current Level	<u>\$14,988,448</u>	<u>\$15,273,595</u>	<u>1.9</u>
New/Expanded Services			
Medicaid	\$ 75,000	\$ 263,688	251.6
Third Party	150,971	158,703	5.1
General Fund	649,202	1,682,184	159.1
Total Expanded Services	\$ 875,173	\$ 2,104,575	140.5
Total Services	<u>\$15,863,621</u>	<u>\$17,378,170</u>	<u>9.5</u>
Fund Sources			
General Fund	\$ 3,171,286	\$ 4,494,908	41.7
Federal and Other	12,692,335	12,883,262	1.5
Total Funds	<u>\$15,863,621</u>	<u>\$17,378,170</u>	<u>9.5</u>

Because a large portion of the funding for benefits is through fixed federal funds (SSBG and LIEAP), the general fund must support a disproportionate share of the costs of increased expenditures. As part of the expansion of services in fiscal 1986, SRS funded existing general fund programs that qualified for medicaid reimbursement with federal funds and used the "saved" general fund to purchase new services that did not qualify for medicaid funding. This shift in funding resulted in a significant increase in the general fund base for future funding of developmental disabilities programs. As shown in Table 64, although total benefit expenditures increased 9.5 percent, the general fund increases 41.7 percent. Also, because the majority of the types of services expanded do not qualify for medicaid reimbursement, general fund accounts for \$1.7 million or 80 percent of the costs of these new services.

DEVELOPMENTAL DISABILITIES PLANNING & ADVISORY COUNCIL

Budget Item	Actual	Appropriated	- - Current Level - -		% Change
	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	1987-89 Biennium
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Service	\$ 56,816	\$ 60,686	\$ 65,460	\$ 65,367	11.3
Operating Expense	28,807	44,314	39,290	39,383	7.6
Equipment	4,284	-0-	250	250	(88.3)
Total Operating Costs	\$ 89,907	\$105,000	\$105,000	\$105,000	7.7
Non-Operating Costs	176,426	195,000	195,000	195,000	5.0
Total Expenditure	\$266,333 =====	\$300,000 =====	\$300,000 =====	\$300,000 =====	5.9 =====
Fund Sources					
Federal & Other	\$266,333 =====	\$300,000 =====	\$300,000 =====	\$300,000 =====	5.9 =====

The Developmental Disabilities Planning and Advisory Council (DDPAC) is a 100 percent federally funded program that advises state agencies, other councils, local governments, and private organizations on programs and services for the developmentally disabled. Organization and membership of the council is specifically intended to provide developmental disabilities consumers and providers with a forum for input into the state's planning of services for the developmentally disabled.

In addition to its planning function, the DDPAC also contracts with a variety of agencies to provide direct-service demonstration and training projects. Of the program's total budget, federal law requires that 65 percent of the funds be spent in grants and benefits for services to the developmentally disabled. However, beyond such general guidelines as "providing model service programs" and the provision that funds may not be used to supplant state funds or be used in continuous support of a program, federal regulations place few restrictions on the agency's expenditure of these funds.

Current Level Adjustments

Personal services and operating costs were maintained at the fiscal 1987 appropriated level. Federal regulations governing the DDPAC grant require that 65 percent of the total award must be spent for grants and benefits. The anticipated federal grant award for fiscal 1988 and 1989 is \$300,000 per year. Therefore, \$195,000 has been allocated in the current level funding for the grants and benefits portion of the budget.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 65
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	3.00	3.00	0.00
Personal Service	\$ 60,410	\$ 56,816	\$ 3,594
Operating Expense	44,590	28,807	15,783
Equipment	-0-	4,284	(4,284)
Total Operating Costs	\$105,000	\$ 89,907	\$15,093
Grants/Benefits	195,000	176,426	18,574
Total Expenditures	<u>\$300,000</u>	<u>\$266,333</u>	<u>\$33,667</u>
Funding			
Federal Revenue	<u>\$300,000</u>	<u>\$266,333</u>	<u>\$33,667</u>

The underexpenditure in contracted services accounts for the major portion of the unspent \$15,000 in operating costs. Two special planning projects budgeted under contracted services for fiscal 1986 were not completed. Because the program operates on a federal fiscal year funding cycle, savings in operating costs during the state fiscal year can be carried forward into the next federal fiscal year and are shifted to the grants and benefits portion of the budget.

Under the grants and benefits portion of the budget, the program provided support for a variety of projects including funding for advocacy for the rights of the developmentally disabled, services to individuals diagnosed as both mentally ill and mentally retarded, epilepsy awareness, information dissemination, and services for native Americans.

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